



# **MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR THE FINANCIAL YEAR**

**2016/2017**

**Acronyms and abbreviations**

BSC	Budget Steering Committee
CFO	Chief Financial Officer
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DoRA	Division of Revenue Act
EXCO	Executive Committee
FBS	Free basic services
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
IBT	Inclining Block Tariff
IDP	Integrated Development Plan
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt hour
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act (56 of 2003)
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTBPS	Medium Term Budget Policy Statement
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator of South Africa
NDP	National Development Plan, 2030
PBO	Public Benefit Organisations
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan

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## Part 1 – Annual Budget

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### **1.1 Mayor's Report**

Mayoral speech will be tabled separately by the Mayor on 24 May 2016.

## 1.2 Council Resolutions

In terms of Section 16(2) of the Municipal Finance Management Act (56 of 2003), “the mayor of the municipality must table the annual budget at a council meeting *at least 90 days before the start of the budget year*. This budget is usually referred to as the “draft budget”. Paragraph 9 and Schedule A of the Municipal Budget and Reporting Regulations prescribe the format and contents of the budgets of municipalities and municipal entities.

The Mayor of Bela-Bela Local Municipality tabled the budget, in terms of section 16(2) of the MFMA, at the Council meeting held on the 31<sup>st</sup> of May 2016 in the Council Chamber. At the meeting the Council made the following resolutions:

1. The Council of Bela-Bela Local Municipality, acting in terms of section 16(2) of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The annual budget of the municipality for the financial year 2016/17 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 17;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 18;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 19; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 20.
  - 1.2. The cash flow budget, cash-backed reserve/accumulated surplus and asset management are approved as set out in the following tables:
    - 1.2.1. Budgeted Cash Flows as contained in Table 22;
    - 1.2.2. Asset management as contained in Table 24.
2. The Council of Bela-Bela Local Municipality approved the following 2016/17 revised budget related policies as set out in Annexure 1:
  - 2.1. Credit Control and Debt Collection Policy
  - 2.2. property Rates Policy
  - 2.3. Assets Management Policy
  - 2.4. Indigent Policy
  - 2.5. Borrowing framework policy
  - 2.6. Budget Implementation and Monitoring Policy
  - 2.7. Cash Management and Investment Policy
  - 2.8. Funding Reserves Policy
  - 2.9. Prioritisation Model for Capital Assets Investment
  - 2.10. Policy on Infrastructure Investment and Capital Projects
  - 2.11. Policy on Long Term Financial Planning
  - 2.12. Policy on Provision for doubtful debts and writing off of irrecoverable debts
  - 2.13. Principles and Policy on Tariffs
  - 2.14. Petty Cash Policy
  - 2.15. Supply Chain Management Policy

All other budget related policies remain unchanged from the previous year.

3. The Council of Bela-Bela Local Municipality , acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2016 the rates and tariffs as set out in Annexure 2;
  - 3.1. the tariffs for property rates;
  - 3.2. the tariffs for electricity;
  - 3.3. the tariffs for the supply of water;
  - 3.4. the tariffs for sanitation services;
  - 3.5. the tariffs for solid waste services;
  - 3.6. the tariffs for all sundry services;
4. To give proper effect to the municipality's annual budget, the Council of Bela-Bela Local Municipality approves:
  - 4.1. That the municipality is not budgeting to raise long-term loans to fund the capital budget.
5. That the Accounting Officer adheres to all prescribed requirements in terms of legislation regarding the submission of the budget document to the various institutions.

### 1.3 Executive Summary

The National Development Plan, 2030 recognizes the central role that local government plays in achieving the vision of ***“our future, make it work”***. While acknowledging the strides that have been made since the dawn of democracy 22 years ago, such as access water, electricity, housing etc., the Plan also acknowledges the challenges lying ahead. The Plan recognizes that South Africa has been able to build institutions necessary for democratic and transformative state. One of these institutions is the public service in general, and local government in particular as it is a sphere of government that is closest to the communities.

The Plan identifies the following factors, amongst others, as indicative of a democratized and transformed public institution:

- Stability in the political-administrative interface;
- Institution as a career of choice;
- People/ staff with technical and professional skills;
- Strong public participation;
- Financial capacity;
- Strong delegation, accountability and oversight; and
- Improved departmental coordination;

The question that Bela-Bela Local Municipality needs to raise and answer is ***“where do we fit in this scheme of things?”*** As the Plan articulates, “developmental states are active as they constantly strive to improve the quality of what they do by building their own capacity and learning from experience.

One of the enablers for achievement of the ideals espoused in the Plan is the fiscal capacity in the form of a credible budget. The budget is the fiscal tool that allocates resources to priorities contained in the strategic documents of the municipality such as the Integrated Development Plan (IDP). This budget is an attempt by the Council of Bela-Bela Municipality to contribute towards the ideals espoused in the Plan.

National Treasury issues MFMA budget circulars annually to guide municipalities in compiling their budgets. The latest circular was issued on the 8th of March 2016. This circular deals with the key focus areas for the 2016/2017 budget process and highlight critical areas which the

municipality must take into consideration. One of the main consideration to be taken was to inform municipalities to adopt 2016/17 budget early as result of forthcoming local government elections which are normally held in May every four years. It is considered prudent to start the budget process and adoption early. It is anticipated that the outgoing Council would adopt the new budget prior to vacation of office. In this way the new incoming Council may not have to start the process from scratch, but oversee implementation of the approved budget.

The circular further emphasis that the municipality explicitly manage the following key risks during the compilation of 2016/2017 MTREF:

1. In terms of section 13 of the Municipal Property Rates Act, 2004 (Act No 6 of 2004)(MPRA) and sections 24 and 42 of the MFMA, new tariffs for property rates, electricity, water and any other taxes and similar tariffs may only be implemented from the start of the municipal financial year (1<sup>st</sup> July). This means that the municipal council must approve the relevant tariffs before the commencement of 1 July; and, should this not happen, the municipality will not be able to increase its taxes and tariffs during the year. Failure to obtain Council approval for the annual tariff increases would most likely cause an immediate financial crisis that may lead to the provincial executive intervening in the municipality in terms of section 139 of the Constitution;
2. In terms of section 16 of the MFMA, a municipal council must approve the annual budget for the municipality before the start of the financial year, and should a municipal council fail to do so, section 26 of the MFMA prescribes that the provincial executive must intervene. The provincial intervention may include dissolving the municipal council and appointing an administrator to run the affairs of the municipality;
3. The outgoing council may be tempted to prepare an 'election friendly budget' – with unrealistically low tariff increases and an over-ambitious capital expenditure programme that is not funded. The outcome of this approach will undoubtedly be unfunded municipal budgets that threaten their respective municipalities' financial sustainability and service delivery; and
4. Given that the timing of election campaigning coincides with the municipal public budget consultations, there is a risk that these consultations may be neglected or used to serve the narrow interests of political parties.

The circular further advises that in the build-up to the 2016 local government elections, municipalities are encouraged to act towards ensuring financial sustainability. Now, more than ever before, it is paramount for sound municipal decision-making so that long-term sustainability of municipal finances and service delivery is achieved beyond the election period.

All of the issues effecting the compilation of this budget to ensure that the anticipated revenue streams and funding sources for both the operating and capital budgets are affordable and sustainable were taken into account. This was also taken into consideration when the budget related policies were reviewed.

Bela-Bela Local Municipality will strive on each financial reporting year to recognise the application of sound financial management principles for the compilation of the municipality's financial plan as essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. The process of developing the municipality's annual budget is mostly guided by the strategic thrust and operational priorities of Bela-Bela's Integrated Development Plan (IDP) as well as the MTREF that sets out the expected annual revenue and projected expenditure for the budget year under consideration, plus the two outer years.

The audit by Auditor General was conducted for 2014/2015 financial year and resulted in municipality maintaining its un-qualified audit opinion from 2013/2014 financial year. The municipality will strive to continue to maintain and improve on the audit outcome. This is being achieved through the established AGSA action plan committee, which seats on a weekly basis to monitor the progress made on the action plan.

Bela-Bela Local Municipality had also played a vital role on specific strategies and interventions required by local government in achieving economic stability and higher levels of growth as outlined in the Medium Term Budget Policy Statement and include, among others:

- Intervention in expanding public sector investment in infrastructure through ensuring the budgets and MTREF's acknowledge that capital programmes need a balanced funding structure addressing not only backlogs in services, but also investment in new infrastructure as well as renewing current infrastructure which also sustain the Bela-Bela Local Municipality as an eco-tourism hub;
- Creation of sustainable jobs remains a national priority and municipalities must ensure that in drafting their 2016/17 budgets and MTREFs, they continue to explore opportunities to promote labour intensive approaches to delivering services, and more particularly to participate fully in the Expanded Public Works Programme (EPWP).
  - ❖ Ensuring that service delivery and capital projects use labour intensive methods wherever appropriate;
  - ❖ Ensuring that service providers use labour intensive approaches;
  - ❖ Participating fully in the Expanded Public Works Programme; and
  - ❖ Implementing internship programmes to provide young people with on-the-job training.
- The Municipality continue to create a joint planning with its community and business sectors. This means that all economic forces in the local situation have to be brought on board to identify resources, understand needs and work out plans to find the best ways of making the local economy fully functional, investor friendly and competitively productive; and
- Bela-Bela Local Municipality need to act as a catalyst for local economic development by appropriately structuring capital programmes to address backlog eradication, asset renewal and development of new infrastructure where there is a need; this will require carefully formulating the funding mix to include grants and own funding (internally generated funding).

Before compilation of the 2016/2017 to 2018/2019 planning and budget process, a review to the municipality's service delivery prioritises were done. Strategic planning sessions where planning of the 2016/17 budget was discussed were held on the 9th to 11th March 2016. The compilation of the 2016/2017 budget was further guided by prescribed budget legislative, policy frameworks and budget circulars.

The following budget principles and assumptions directly informed the compilation of the 2016/2017 MTREF;

- National Treasury's MFMA Circular No. 48, 51, 55, 58, 59, 66, 67, 70, 72, 74, 75, 78 and 79 were used to guide the compilation of the 2016/2017 MTREF.
- Headline inflation predictions;
- National outcomes and priorities as contained in the NDP, MTBPS, the President's State of the Nation Address and the 2016 national budget;



- NERSA guidelines;
- The priorities and targets in relation to the key strategic focus areas as determined in the IDP;
- The 2015/2016 Adjustment Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baseline for the 2016/2017 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs. In this vein, the municipality appointed specialists to remodel the water, electricity and sanitation tariffs to be cost reflective;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An assessment of the relative human resources capacity to implement the Budget;
- The need to enhance the municipality's revenue base;
- All conditional grants should always be cash backed;
- Cash flow projections should be strictly maintained to ensure the municipality's ability to meet its obligations;
- Operational cost will be maintained at current levels or reduced as cost containment measures will continue to be implemented; and
- Expenditure will be strictly monitored and be limited to the "absolutely necessary" items. Expenditure on the "nice to have" will be stopped forthwith.

The main challenges experienced during the compilation of the 2016/2017 to 2018/2019 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- The modestly increasing debt as a result of non-payment;
- Aging and insufficiently funded maintenance for water, roads and electricity infrastructure;
- Reprioritisation of capital projects and operating expenditure within the financial affordability limits of the Budget, taking the Municipality's cash position into account;
- The increased cost of bulk water and electricity (due to tariff increases from Magalies Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Insufficient Capital Replacement Reserve, impacting on the Municipality's ability to fund capital expenditure from internal sources; and
- Funding required to implement Municipal Standard Chart of Accounts (mSCOA).

Municipality engaged specialists on tariff remodelling to have cost reflective tariffs on the following:

- ✓ Water
- ✓ Sanitation
- ✓ Electricity

In the past, increases were based on current tariff plus a % increase, without taking into account the true cost of providing the service. The key differences between the old and the remodelled structures are as follows:

Water

- ✓ Fixed tariff component is introduced for all categories except indigents;

- ✓ So there tariff is split between fixed and variable components to recover infrastructure costs; and
- ✓ Free basic water for the indigents is reduced to 6kl.

#### Sanitation

- ✓ Fixed component is maintained and the volumetric component is withdrawn.

#### Electricity

- ✓ 70 kwh of FBE is provided to the indigents; and
- ✓ Step up or Inclining Block tariff is removed.

Special care was excised to ensure that the tariff re-modelling, as alluded to above, is properly implemented without creating huge burden to the consumers. Tariffs on sundry services have increased by 6% in the 2016/2017 financial year in line with the guidance provided in circular 78. Due to the recent property that was conducted, most property values have increased which will result in property bill being increased on certain consumers while the rate remain unchanged.

On the expenditure side, the percentage increases were as follows:

- Councillors allowances increased by 6.6%;
- Bulk purchases increased by 10%;
- Employee costs have decreased by 1.1% of the adjustment budget due to rationalisation and un-filling of some non-critical posts, and increased by 19.1% of the actual spent of 2014/2015 audited result.;
- Contracted services are reduced by 32.6% of the adjusted budget. This is due to non-renewal of some contracts when they expire during the financial year; and
- Other expenditure category is reduced by 7% due to cost containment measures. The breakdown of this category is found in Supporting Table SA1 attached and includes leasing of vehicles, capacity building, and fuel and oil costs.

The municipality has held public participation sessions with the communities after the budget was tabled to council at the end of March 2016 in terms of the relevant legislation. The sessions were conducted during April 2016. The issues raised range from normal complaints about accounts, implementation of credit control policy, housing, security, use of drugs and lack of recreational facilities for the youth. These issues were documented and will be taken through the governance structures for further processing.

The budget benchmarking exercise was conducted with the Provincial Treasury on the 20<sup>th</sup> April 2016 where the tabled budget was assessed for credibility, relevance and sustainability. The inputs from the session were incorporated in this budget. Furthermore, another session was held with representatives from National Treasury on the 19<sup>th</sup> May 2016. In this session the budget was assessed to determine if it is funded. Inputs from this session were also incorporated in this budget. In terms of compliance assessment, this budget was considered compliant by the Provincial Treasury. A few budget tables (A Schedule) were adjusted to obtain full compliance.

Council has in the past resolved to build up a Capital Reserve Fund over the medium-term in terms of the long-term financial plan/policy. This means that over the MTREF outer years Council expects to have built up enough cash reserve to fund capital expenditure. The Municipality has built up a cash backed-reserve of R10 million during 2014/2015 to fund the own source financed projects during the 2015/2016 financial year. The project which related to rehabilitation of CBD road is seating at 90% of the set R10 million reserved.

In this budget, no significant investments have been provided for from internally funded sources. This is in order to build the Capital Replacement Reserve once more. The internally

funded projects from the previous financial year will be completed. Funds are available to complete these projects. With regards to grant funding, there has been substantial increases in the Integrated Energy Efficiency Programme (INEP) from R2.0 million to R28.0 million and the Municipal Water Infrastructure Grants (MWIG) from R10.0 million to R30.0 million to address infrastructure investments.

The credit and debt collection drive that Council embarked on in the past financial year resulted in the payment level improving but modestly. In this regard the administration is continuing to implement the following;

- Efficient revenue management, which aims to ensure a minimum of 90% annual collection rate for property rates and other key service charges.
- Consistent and sustainable implementation of credit control action to all households and other consumers that can afford payment of services, including reminder letters, telephone, sms and other means of reminding consumers of the obligation with regard to their municipal accounts;
- Compilation of indigent register;
- Resolution of the current non-payment by the farmers;
- Accurate and predictable monthly billing of municipal services, which requires that accounts are sent regularly and on time can enable consumers to plan or arrange for payment of services;
- Conduct electricity and water meter audit in order to address the losses; and
- A ward based Civil Education campaign that is led by the respective ward Councillor to promote payment of services within each ward. This campaign should include all stakeholders and the ward committees.

#### **1.3.1. Budget Overview for the 2016/17 MTREF**

This section provides an overview of Bela-Bela Local Municipality's 2016/17 to 2018/19 MTREF. It focuses on the billing and revenue environment of the Municipality, the expenditure framework includes an assessment of how the budget links with the national and provincial government contexts along with a review of the fiscal position of the municipality. As mentioned in the preceding paragraph, this budget was assessed by both National and Provincial Treasuries for:

- Credibility – revenue and expenditure estimates are realistic;
- Relevance – to the legislation (compliance), IDP and national government priorities; and
- Sustainability – the revenue, expenditure and cash flow estimates are achievable over the short to medium term.

##### **1.3.1.1. Operating Revenue Framework**

For Bela-Bela Local Municipality to continue improving the quality of services provided to its citizens, it needs to generate the required revenue levels. In these tough economic times, strong revenue management is fundamental to the financial sustainability of the municipality. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices and trade-off have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The Municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;

- Efficient revenue management, which aims to ensure 90 per cent annual collection rate for property rates and other key service charges;
- Continuous engagements with key stakeholders, particularly farmers and business, to collect outstanding debt and improve current collection levels;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

The following table is a summary of the 2016/2017 MTREF (classified by main revenue source):

**Table 1 Summary of revenue classified by main revenue source**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>	<b>1</b>										
<b>Revenue By Source</b>											
Property rates	2	42 378	53 069	54 229	59 959	59 151	59 959	37 830	94 648	100 301	106 274
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	80 553	84 138	84 980	105 368	106 004	106 004	107 325	106 469	112 432	118 953
Service charges - water revenue	2	19 457	18 780	17 523	23 479	28 479	28 479	31 147	35 584	37 576	39 756
Service charges - sanitation revenue	2	6 495	6 816	6 366	10 710	9 210	9 210	17 236	11 127	11 743	12 390
Service charges - refuse revenue	2	5 668	6 030	5 469	6 975	8 975	8 975	12 349	11 265	11 896	12 586
Service charges - other		517	1 407	1 000	4 046	546	4 046	391	8 200	8 692	9 214
Rental of facilities and equipment		596	998	1 114	2 089	2 104	2 089	913	1 550	1 860	2 070
Interest earned - external investments		325	782	2 268	4 000	500	4 000	353	300	330	363
Interest earned - outstanding debtors		6 005	3 891	6 049	10 333	6 279	10 333	4 048	3 500	3 850	4 235
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		6 131	29 904	4 451	11 639	11 639	11 639	1 802	13 000	13 650	14 333
Licences and permits		9 454	9 123	2 742	10 000	12 000	10 000	3 363	15 000	16 500	18 150
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		34 903	64 022	59 666	67 877	67 877	67 877	66 002	71 118	77 760	85 092
Other revenue	2	(3 643)	(3 460)	19 349	24 473	18 205	24 473	1 949	6 273	6 835	7 565
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>208 839</b>	<b>275 499</b>	<b>265 206</b>	<b>340 949</b>	<b>330 970</b>	<b>347 085</b>	<b>284 707</b>	<b>378 034</b>	<b>403 426</b>	<b>430 980</b>

Bela-Bela Local Municipal budget is financed through realistically anticipated revenue streams.

Anticipated operating revenue (total operating revenue less revenue forgone) for 2016/2017 is estimated at R378.0 million or R 47.1 million (12.5%) more than the adjustments budget revenue of R330.9 million for 2015/2016. This increment is above the CPI rate and this is as a result of huge increase in property rates income, among others. The resulted increase on property rates was due to increase in the values of properties in the recent valuation roll conducted by Municipality. The property rates themselves have been kept unchanged so as to cushion the burden on property owners.

Operating grants increased to R71 Million (5%) from the 2015/2016 adjusted budget of R67.8 million with grant to fund capital spending increased from R 34 million (53%) to R80 million in the 2016/2017 financial year.

Overall services charges revenue increased by R19.4 million or 12.6% from the 2016/2017 adjusted budget. The increase was further driven by the increase in certain revenue stream such as water, electricity and sanitation which had been restructured to ensure they are cost reflective.

Bela-Bela Local Municipality had in the past financial period utilised all conditional grant accordingly and this was the case for the 2015/2016 period. The municipality again plans to implement the projects during 2016/2017 to meet grant conditionalities.

The following table provides a breakdown of the various capital and operating grants and subsidies allocated to the municipality over the medium term:

**Table 2 Transfers and Grant Receipts (2016/2017)**

<b>Dora Allocations (R'000)</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
<b>Capital</b>			
MIG	22 571	24 130	25 316
MWIG	30 000	26 000	55 000
INEP	28 000	30 000	20 000
<b>Total</b>	<b>80 571</b>	<b>80 130</b>	<b>100 316</b>
<b>Operating</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Equitable share	68 411	76 060	83 392
FMG	1 625	1 700	1 700
MSIG			761
EPWP	1 082	0	0
<b>Total</b>	<b>71 118</b>	<b>77 760</b>	<b>85 092</b>

### **Operating grant dependence**

Grant dependence ratio is sitting at 18.8% of total revenue of R378.0 million. The ratio measures the extent to which the municipality's total operating expenditure is funded through internally generated funds or borrowings. The rate of 18% indicate that municipality is not significantly grant dependent regarding funding of operations.

As table 2 above shows, grants (capital) increased from R80.5 million in 2015/16 to R100.3 million in 2018/19. These allocations are in line with allocations in the 2016/17 annual Division of Revenue Act.

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's

inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom and Magalies Water bulk tariffs are above the mentioned inflation target. These tariff increases are determined by external agencies, the impact they have is largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement, etc. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows.

### ***Property Rates***

During the 2016/2017 financial year, the Municipality will implement new general valuation roll (2016-2021) which will have significant increase in property market values.

The total property market values for 2011-2016 general valuation roll was seating at R6,4 billion and increased to R9,2 billion in the current general valuation roll which resulted in an additional property market values of R2,7 billion (42% increase).

The increase of the property market value was a result of the following:

- The significant increase between 2011-2016 and 2016-2021 general valuation roll was as result of an increase in the number of properties. The number of recorded properties in 2012-2016 general valuation roll was seating at 10152 and increased to 12078 which translate to 19% (1926) increase in total registered property.
- The total value of the new properties is seating at R1, 6 billion, which cover 61% of the R2,7 billion overall market value increase as reported on the 2016-2021 general valuation roll.
- The 42% overall increase in the property value consist of 26% which represent new properties, which leave us with 16% that is as result of the increased in existing property market value.
- It should be noted that, additional categories had been include which also resulted in the new properties as eluded above.
- There were improvements effected on the majority of properties that had significant market values increases.
- The Municipality will cause a supplementary roll for all properties with abnormal market values increases.

The Municipality had received 118 objections out total registered properties of 12078.

Therefore, 26% increase relate to newly registered properties and 16% relate to the existing properties market values increase. This led to the Municipality not to increase cent in a rand.

**Table 3: Summary of the new valuation roll**

<b>FULL TITLE</b>							
RatingCategory	GV2011		GV 2016		Difference in Count	Difference in Market Value	% Increase(-Decrease)
	Count	Market Value	Count	Market Value			
ACCOMMODATION ESTABLISHMENT	14	R 1 749 000,00	9	R 62 051 000,00	-5	60 302 000	3448%
BUSINESS & COMMERCIAL	155	R 449 609 900,00	191	R 596 319 000,00	36	146 709 100	33%
FARMS AGRICULTURAL	1469	R 3 051 139 800,00	1433	R 3 818 881 000,00	-36	767 741 200	25%
FARMS BUSINESS & COMMERCIAL	122	R 356 792 000,00	122	R 586 359 000,00	0	229 567 000	64%
FARMS OTHER	95	R 165 499 000,00	9	R 45 635 000,00	-86	-119 864 000	-72%
FARMS RESIDENTIAL	230	R 327 044 800,00	318	R 631 632 000,00	88	304 587 200	93%
FARMS VACANT LAND	1	R 1 600 000,00	315	R 528 796 000,00	314	527 196 000	32950%
INDUSTRIAL	41	R 91 473 000,00	10	R 15 400 000,00	-31	-76 073 000	-83%
MUNICIPAL PROPERTY	67	R 64 047 000,00	64	R 63 320 000,00	-3	-727 000	-1%
PRIVATE OPEN SPACE	11	R 1 248 000,00	43	R 15 959 000,00	32	14 711 000	1179%
PROPERTIES USED FOR PUBLIC BENEFIT ACTIVITIES	42	R 120 152 500,00	33	R 94 217 000,00	-9	-25 935 500	-22%
PSI	24	R 3 023 000,00	32	R 8 433 000,00	8	5 410 000	179%
RESIDENTIAL	6682	R 1 300 210 000,00	6930	R 1 588 874 000,00	248	288 664 000	22%
SMALLHOLDING AGRICULTURAL	39	R 36 395 000,00	26	R 18 803 000,00	-13	-17 592 000	-48%
SMALLHOLDING BUSINESS & COMMERCIAL	444	R 164 765 000,00	16	R 39 994 000,00	-428	-124 771 000	-76%
SMALLHOLDING OTHER	11	R 5 202 000,00	2	R 393 000,00	-9	-4 809 000	-92%
SMALLHOLDING RESIDENTIAL	201	R 236 200 510,00	103	R 123 903 000,00	-98	-112 297 510	-48%
SMALLHOLDING VACANT LAND	2	R 1 158 000,00	379	R 167 484 000,00	377	166 326 000	14363%
STATE-OWNED PROPERTY	8	R 30 100 000,00	7	R 51 560 000,00	-1	21 460 000	71%
VACANT BUSINESS & COMMERCIAL/INDUSTRIAL LAND	88	R 7 933 240,00	15	R 8 616 000,00	-73	682 760	9%
VACANT RESIDENTIAL LAND	406	R 75 171 770,00	2021	R 759 232 000,00	1615	684 060 230	910%
<b>Totals</b>	<b>10 152</b>	<b>R 6 490 513 520,00</b>	<b>12 078</b>	<b>R 9 225 861 000,00</b>	<b>1926</b>	<b>2 735 347 480</b>	<b>42%</b>

<b>SECTIONAL TITLE</b>							
RatingCategory	GV2011		GV 2016		Difference in Count	Difference in Market Value	% Increase(-Decrease)
	Count	Market Value	Count	Market Value			
ACCOMMODATION ESTABLISHMENT	270	R 274 258 000,00	0	R -	-270	-274 258 000	-100%
BUSINESS & COMMERCIAL	0	R -	35	R 17 464 000,00	35	17 464 000	100%
RESIDENTIAL	1182	R 1 743 338 900,00	1453	R 2 086 566 000,00	271	343 227 100	20%
<b>Total</b>	<b>1 452</b>	<b>R 2 017 596 900,00</b>	<b>1 488</b>	<b>R 2 104 030 000,00</b>	<b>36</b>	<b>86 433 100</b>	<b>4%</b>
<b>Grand Total</b>	<b>11 604</b>	<b>R 8 508 110 420,00</b>	<b>13 566</b>	<b>R 11 329 891 000,00</b>	<b>1962</b>	<b>2 821 780 580</b>	<b>33%</b>

The affected consumers will be afforded an opportunity to lodge for objections as per the Municipal Property Rates Act. This process might at end reduce certain valuation roll outcome as depicted above.

The following stipulations in the reviewed Property Rates Policy are highlighted:

**Municipal properties**

Municipal properties are exempted from paying property rates.

### Residential properties

All residential properties with a market value of less than the amount as annually determined by the Municipality are exempted from paying property rates. **For the 2016/2017 financial year the maximum amount is determined as R50 000.** The impermissible rates of R15 000 contemplated in terms of section 17(1)(h) of the Act are included in the amount as referred to above as annually determined by the Municipality. The remaining R35 000 is aimed primarily at alleviating poverty and forms an important part of the Municipality's indigent policy.

### Public Service Infrastructure

Public Services Infrastructure is exempted from paying rates as it provides essential services to the community.

### Public Benefit Organisations

Public Benefit Organisation Property means property owned by public benefit organisations and used for any specified public benefit activity listed in item 1 (welfare and humanitarian), item 2 (health care), and item 4 (education and development) of part 1 of the Ninth Schedule to the Income Tax Act.

The abovementioned exemptions will automatically apply and no application is thus required by the owners of such property. Property rates tariffs are depicted in table 4 below:

### Cash management and investment policy

Money deposited into the Municipality's bank account by unknown persons for unknown reasons without traceable reference that cannot be allocated for a period of 24 month will be classified as Municipality's other revenue after public advertisement for 14 days.

**Table 4: Property rates tariffs**

Rating Category	2015/2016	2016/2017
	R/c	R/c
ACCOMMODATION ESTABLISHMENT	0	0.014
BUSINESS & COMMERCIAL	0.0133	0.0133
FARMS AGRICULTURAL (Bona Fide)	0.0026	0.0026
FARMS BUSINESS & COMMERCIAL	0.0133	0.0133
FARMS OTHER	0.0133	0.014
FARMS RESIDENTIAL	0.0106	0.0106
FARMS VACANT LAND	0.0133	0.014
INDUSTRIAL	0.0133	0.0133
MUNICIPAL PROPERTY	0	0.0133
PRIVATE OPEN SPACE	0.0106	0.0106
PROPERTIES USED FOR PUBLIC BENEFIT ACTIVITIES	0	0.0026



Rating Category	2015/2016	2016/2017
PSI	0.0026	0.0026
RESIDENTIAL	0.0106	0.0106
SMALLHOLDING AGRICULTURAL(Bona Fida)	0.0026	0.0026
SMALLHOLDING BUSINESS & COMMERCIAL	0	0.0133
SMALLHOLDING OTHER	0.0133	0.014
SMALLHOLDING RESIDENTIAL	0.0106	0.0106
SMALLHOLDING VACANT LAND	0.00133	0.014
STATE-OWNED PROPERTY	0.0133	0.0133
VACANT BUSINESS & COMMERCIAL/INDUSTRIAL LAND	0.0133	0.014
VACANT RESIDENTIAL LAND	0.0133	0.014

### ***Electricity***

**Table 5: Remodelled electricity tariffs**

	2015/16						2016/17		
Electricity Tariffs	Basic charge	Capacity charge	Energy charges						
	Rand/month	R/Amp/m	c/kWh	c/kWh	c/kWh	c/kWh	Basic charge	Capacity charge	Energy charge
			0-50 kWh/m	51-450 kWh/m	451-700 kWh/m	>700 kWh/m	Rand/month	R/Amp/m	c/kWh
Domestic Tariffs							Domestic Tariffs (Churches, PBO)		
Domestic Prepaid			117.2	134.5	157.29	163.73	Domestic Prepaid 20 Amps		
							Domestic Prepaid > 20 Ar		
Domestic Conventional	296.77		75.47	96.54	140.53	166.00	Domestic Conventional		
	Basic charge	Capacity charge	Energy charge				Basic charge	Capacity charge	Energy charge
General Tariffs	Rand/month	R/Amp/m	c/kWh				Rand/month	R/Amp/m	c/kWh
General Tariff Prepaid			117.37				General Tariffs (Commercial, Government and School)		
							General Tariff Prepaid 20 Amp		
General Tariff Conventional							General Tariff Prepaid > 20 Amp 1 phase		
Single Phase: Low	388.21		117.37						176.33
Single Phase: Medium	388.21		117.66				50.00	13.71	118.76
Single Phase: High	388.21		116.66						
Three Phase: Low	1413.5		96.10						
Three Phase: Medium	1413.5		103.00						
Three Phase: High	1413.5		106.46						
	Basic charge	Demand Charge	Energy charge						
Industrial Tariffs	Rand/month	R/kVA/m	c/kWh				Basic charge	Demand Charge	Energy charge
Low	2707.95	155.78	86.10				Rand/month	R/kVA/m	c/kWh
Medium	2707.95	153.78	95.00				Industrial Tariffs		
High	2707.95	143.00	98.00				Low Voltage		
	Basic charge		Energy charge				Medium Voltage		
Agricultural Tariffs	Rand/month		c/kWh				Basic charge	Capacity charge	Energy charge
Low	1413.4		114.30				Rand/month	R/Amp/m	c/kWh
Medium	1413.4		128.57				Agricultural Tariffs		
High	1413.4		130.79				150.00	13.71	118.76
Indigent Subsidy									
Indigent households shall receive 70kwh free on prepaid electricity i.t.o Indigent Policy									

As can be seen from table 5 above, the Inclining Block Tariff is removed and replaced with single tariffs for each category of users. The fixed cost (basic charge) component is introduced to cover the fixed cost of the electricity infrastructure. The demand and energy charges are introduced for all users above the 20 Amps. This is an attempt to match the Eskom tariff structure and also ensure that electricity is used in order to conserve it. Indigent households and users with capacity of 20 Amps will not be levied a basic charge. This is part of the Demand Side Management programme of the municipality. NERSA has approved a tariff increase of 7.64% for municipalities with effect from 1 July 2016. The above tariffs have been submitted to NERSA and the municipality is awaiting approval.

## Water

Our country is facing a similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. As a result, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost of associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Therefore, maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Our water supplier, Magalies continues to increase its bulk tariffs on each financial period with 12% increase for 2016/2017 financial period.

Table 6 below shows the remodelled water tariffs.

**Table 6: Water tariffs (fixed costs)**

The fixed tariff component is introduced for the different categories of users.

2015/16 tariffs (Rand)		2015/16 tariffs (Rand)	
Residential/	Commercial	Residential, Churches, School, PBO,	Commercial
Rate per meter	Rate per meter	Rate per meter	Rate per meter
0	0	58.50	87.75

The variable cost components are as follows:

**Table 7: Water tariffs (variable costs)**

Description	Tariff (Rand) 2015/2016		Tariff (Rand) 2016/2017	
	Residential/	Commercial	Residential, Churches, School, PBO, Hospitals - State	Commercial, Government, hotels, Resorts and Other
Range	Rate (R/kl)	Rate (R/kl)	Rate (R/kl)	Rate (R/kl)
0 kl - 30 kl	11.69	13.93	10.68	16.03
30 kl - 50 kl	13.93	14.40	12.82	19.23
50 kl - 80 kl	14.48	14.89	15.38	23.08
81kl – 100kl	22.26	15.40	16.92	25.38
101kl – 130kl		15.92	16.92	25.38
131kl – 210kl		16.72	16.92	25.38
211kl – more		18.39	16.92	25.38

Municipality conducted an exercise to remodel the tariffs to be cost reflective. Work of an expert was utilised to ensure that a fruitful outcome is achieved.

### **Sewerage (Sanitation)**

During the 2016/17 financial year this tariff had undergone a restructuring process in order to break-even. This tariff was part of the tariffs being reviewed by engaging the work of an expert to ensure the tariff is cost reflective. The bellow table indicate the cost to produce sanitation and was used to determine the cost reflective tariff.

SUMMARY	Sanitation	
	Fixed	Variable
Expense	R 15 669 765,54	R 3 456 951,00

Sewer service is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service. As the table below indicates, only the fixed cost component of sewer is retained and the volumetric component is withdrawn.

**Table 8: Sanitation tariffs**

Description	Tariff (Rand)		Tariff (Rand)
	2015/2016		2016/2017
	Fixed (per point)	Volume	Fixed (per point)
a) Residential/Flats/ Security Villages	98.72	0.43	176
b) Commercial/Government/Resorts/Hotels and Other	197.45	0.43	353
c) Churches/Schools/PBO	98.72	0.43	176
d) Hospitals - State	98.72	0.43	176
e) Hospitals - Private	197.45	0.43	353

### ***Refuse (Solid Waste)***

It is proposed that the tariff increases by 5.6% in line with the guideline from National Treasury. The very nature of this tariff does not lend it to financing the expansion of the landfill site. Table 9 shows the refuse tariffs.

**Table 9: Refuse tariffs**

Description	Tariff (Rand) 2015/16	Tariff (Rand) 2016/17
<b>a) Residential</b>		
Smaller than 800m <sup>2</sup>	46.75	49.56
Larger than 800m <sup>2</sup>	110.82	117.47
Flats	83.11	88.06
<b>b) Commercial</b>	277.04	295.00

Description	Tariff (Rand) 2015/16	Tariff (Rand) 2016/17
<b>c) Security Villages (per container)</b>	2 853.17	3 024.00
<b>d) Churches</b>	110.82	117.00
<b>e) Schools - State</b>	1 160.12	295.00
<b>f) Hospitals - State</b>	1 160.12	295.00
<b>g) Hospitals - Private</b>	2 354.89	2 496.00

### ***Sundry Services***

Tariffs for sundry services have been increased with a rate that is in line with National Treasury guideline which is set at 5.6%.

### ***Debt Management***

The municipality continue to execute all credit control and debt collection procedures as required in the Credit Control and Debt Collection policy approved by council. These internal procedures followed include the disconnection of services, where there are services that can be disconnected, the issuing of final notices, the conclusion of reasonable agreements where the settlement of the accounts are not possible and also the follow up on defaulting debtors not honoring arrangements. Municipality has in the previous period introduced a real time follow up process, such as SMS which constantly alert consumer on the accounts which are in arrears.

The Municipality continuously enforces the above procedures to ensure that debt which is collectable is collected and all debt that is regarded as not recoverable, be written off.

The Municipality has also promulgated the Credit Control and Debt Collection policy to strengthen the internal credit control and debt collection procedures through handing over of all debt over 60 days to the appointed debt collector. The debt collector is employed on a basis of performance and certain targets been agreed to between the service provider and the municipality. If these performance targets are not met, the municipality will have to enforce all penalty clauses to debt collectors. The payment arrangement is to pay the service provider 14of of the debt collected.

During 2015/2016 financial year, municipality has continued to utilise the incentive scheme which was introduced by council during 2013/2014 financial period.

For 2016/2017 financial year, provision for debt impairment is decreased from R27 million to R15 million. This decrease is due to initiative taken by the municipality to enforce debt collection procedures as stated above. While this expenditure is considered to be a non-cash item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues to be collected.

### 1.3.1.2. Operating Expenditure Framework

The budget shows a 2.8% decrease in annual operating expenditure from R387.1 million in 2015/2016 adjusted budget to R376.28 million in 2016/2017 MTREF. The comparison between 2016/2017 and 2014/2015 audited result shows a 13.7% increase. Some of the key features of the expenditure framework are:

- Material and bulk purchases increased by at least 16.7% from the 2015/2016 adjusted budget. Factors that led to increase of material and bulk purchases is as follows;
  - Eskom increase;
  - Other overheads cost increases and,
  - Consumption level
- Personnel cost increases informed by the decisions of the SALGA Bargaining Council and the Remuneration of Public Office Bearers Act. Overall there is a decline of the total employee costs by 1.1% of the adjustment budget due to rationalisation and un-filling of some non-critical posts, and increased by 19.1% of the actual spent of 2014/2015 audited result;
- Balanced budget constraint (operating expenditure should not exceed operating revenue except for non-cash provisions) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Contracted services are reduced by 32.6% of the adjusted budget. This is due to non-renewal of some contracts when they expire during the financial year; and
- Other expenditure category is reduced by 7% due to cost containment measures. The breakdown of this category is found in Supporting Table SA1 attached and includes leasing of vehicles, capacity building, and fuel and oil costs. Strict adherence to the principle of no project plans, no budget. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2016/17 budget and MTREF (classified per type of expenditure):

**Table 10 Summary of operating expenditure by type**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
		R thousand									
<b>Expenditure By Type</b>											
Employee related costs	2	66 555	77 128	87 909	107 833	106 080	107 833	51 651	104 758	110 052	116 655
Remuneration of councillors		4 077	5 801	5 968	6 269	6 269	6 269	6 061	6 708	7 177	7 680
Debt impairment	3	34 770	1 595	(18 908)	27 712	27 712	27 712	5 537	15 000	15 750	16 538
Depreciation & asset impairment	2	31 985	53 177	29 120	29 885	29 885	29 885	15 154	28 000	29 400	30 870
Finance charges		1 247	3 310	6 957	2 097	2 405	2 097	308	2 646	2 910	3 201
Bulk purchases	2	60 019	59 903	72 298	82 369	95 369	82 369	65 256	104 906	115 397	122 653
Other materials	8	5 734	10 848	12 876	22 113	20 047	22 113	7 345	29 812	34 574	38 659
Contracted services		19 155	23 975	26 940	38 586	31 529	38 586	19 377	21 222	17 440	19 539
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	30 926	27 576	107 661	51 362	72 668	51 362	38 622	63 152	64 068	68 076
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		254 467	263 313	330 820	368 226	391 964	368 226	209 311	376 203	396 767	423 870

Municipality has undergone an exercise to cut expenditure without compromising expenditure which relate to service delivery.

### **Employee costs**

The budgeted allocation for employee related costs for the 2016/17 financial year totals R104.7 million, which equals 27.9% of the total operating expenditure as compared to 2015/2016 adjusted budget of 23.4%. The decline is due to a decrease in the total operating expenditure. MFMA circular 71 sets the norm to be between 25 % and 40%. Bela-Bela is almost 28%, which is favourable to the municipality. The proportion of personnel expenditure to total operating expenditure for the municipality is favourable at just below 35% per cent over the medium term. This leaves around 70% of operating expenditure available for other major service delivery expenditure items such as bulk water and electricity purchases, contracted services and finance charges.

Based on the three year collective SALGA agreement, salary increases have been factored into this budget at a percentage increase of 6.8% (rounded to 7%) for the 2016/17 financial year. However circular 75 provide for salary increase of 4.4% to be utilised by municipality. Municipality had provided 6.8% increase which is above the prescribed rate. The increase above the prescribed rate was applied based on SALGA agreement published during 2015.

An annual increase of 6.8% has been included in the two outer years of the MTREF. In order to curtail personnel costs, the rationalisation of the Municipality's organisational structure was reconsidered.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). In this regard, the most recent proclamation of an increase of 7% has been taken into account in compiling the municipality's budget.

### **Bulk Purchases**

Directive/decision issued by NERSA setting the bulk purchase increase at 9.74% for electricity, whilst the increase on water was estimated at 12% as the bulk purchase charge. This expenditure includes distribution losses.

## ***Repairs and maintenance***

The National Treasury Municipal Budget Circular number 66 for the 2011/2012 MTREF stated that municipalities must “secure the health of their asset base (especially the municipality’s revenue generating assets) by increasing spending on repairs and maintenance. The municipality has, over the last two financial years, increased the investment in repairs and maintenance as its priority. Due to funding challenges, the municipality’s budget for repairs and maintenance is around 8% or R31.7 million of the value of PPE estimated at R604.7 million for the 2016/17 financial year. This has increased substantially from R14.0 million in the previous year. Although this is below the 8% of the norm from National Treasury, this is a significant increase compared to the previous year. The municipality will not be able to achieve the 8% norm in one year, but will gradually improve to achieve that norm over the medium term.

To successfully spend the repairs and maintenance as budgeted, Technical Service Department has developed an Assets Renewal Strategy and a repairs and maintenance plan that seek to inform all future allocation decisions on repairs and maintenance. Both these documents were used as a tool in determining the priority of the municipality maintenance plan.

## ***Contracted Services***

The municipality anticipates to utilise contracted services in the 2016/2017 with spending of R21.2 million or 5.6% of the total operating expenditure of R376.2 million. This spending was reduced from 8.1% from 2015/2016 adjusted budget.

In a long run, municipality intends not to solely rely on the contracted services to avoid reliance on the consultant. The municipality constantly monitors the consultants and ensures skills transfer is being done to the internal staff.

The budgeted spending of 6.8% of the total operating expenditure is above the norm of 5% as advised by National Treasury. However this was reduced from reported 11% from the 2015/2016 MTREF. It is anticipated to reduce it to be below the norm of 5%. High rate against the norm is also driven by the non-avoidable fees which were included in the contracted fees of R36 million, such as forensic audit fees, appointment of expert to perform valuation roll, land fill audit and IT infrastructure.

## ***Free Basic Services: Basic Social Services Package***

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality’s Indigent Policy. The number of households budgeted to receive a package of free basic services was 4,000 in the 2014/15 and is expected to increase to 5,000 for 2016/2017 MTREF. The total cost of free basic services amounts to R16.1 million for the 2016/17 financial year.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## ***Depreciation***

Depreciation for 2016/17 is less by 6% of the 2015/2016 adjustment budget or is R28 million as compared to adjusted budget of R29.8 million. The Municipality has a number of assets



(office equipment and furniture) that are reaching their useful lifespan in the current financial year.

In terms of circular 54, if a municipality's tariffs are not fully cost reflective, the municipality must develop a pricing strategy to phase-in the necessary tariff increases in a manner that spreads the impact on consumers over a period of time.

This led to the municipality embarking on the process of reviewing the tariffs in line with this requirement. The review of the tariffs will enable municipality to have adequate revenue to fund for non-cash item in future.

### 1.3.1.3. Operating Surplus / Deficit

The municipality is budgeting for R1.8 million surplus which is attributed to fully budgeting for non-cash items. Table 11 below shows the surplus.

**Table 11: Operating cash surplus/ deficit**

<b>Items</b>	<b>New budget 2016/17</b>	<b>Budget 2017/18</b>	<b>Budget 2018/19</b>
Operating revenue	<b>R 378 034 234.60</b>	R 403 426 027.32	R 430 980 055.77
Operating expenditure	<b>R(376 202 812.13)</b>	R (396 767 087.14)	R (423 869 716.93)
<b>Surplus</b>	<b>R 1 831 422.46</b>	<b>R 6 658 940.18</b>	<b>R 7 110 338.84</b>

## 1.4 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 12 - 2016/2017 Medium-term capital budget per vote**

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-	-
Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and Economic Development		-	-	-	-	-	-	-	-	-	-
Vote 6 - Social and Community Services		-	-	11 835	8 849	23 480	23 480	23 480	4 842	6 729	5 550
Vote 7 - Speaker		-	-	-	-	-	-	-	-	-	-
Vote 8 - Technical Services		-	-	38 137	37 664	61 955	61 955	61 955	74 600	72 195	93 500
Vote 9 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 10 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	-	-	<b>49 972</b>	<b>46 513</b>	<b>85 436</b>	<b>85 436</b>	<b>85 436</b>	<b>79 442</b>	<b>78 924</b>	<b>99 050</b>
<b>Single-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Chief Financial Officer		2 000	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		800	-	-	2 070	933	933	933	-	1 000	500
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-	-
Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	840	882
Vote 5 - Planning and Economic Development		370	-	-	1 500	1 500	1 500	1 500	-	1 500	3 500
Vote 6 - Social and Community Services		14 996	4 014	646	900	300	300	300	1 310	-	-
Vote 7 - Speaker		-	-	-	-	-	-	-	-	-	-
Vote 8 - Technical Services		9 108	7 848	3 322	2 200	1 026	1 026	1 026	-	3 000	4 000
Vote 9 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 10 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>27 274</b>	<b>11 862</b>	<b>3 968</b>	<b>6 670</b>	<b>3 759</b>	<b>3 759</b>	<b>3 759</b>	<b>1 310</b>	<b>6 340</b>	<b>8 882</b>
<b>Total Capital Expenditure - Vote</b>		<b>27 274</b>	<b>11 862</b>	<b>53 940</b>	<b>53 183</b>	<b>89 195</b>	<b>89 195</b>	<b>89 195</b>	<b>80 752</b>	<b>85 264</b>	<b>107 932</b>
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		<b>2 800</b>	-	-	<b>2 070</b>	<b>933</b>	<b>933</b>	<b>933</b>	-	<b>1 840</b>	<b>1 382</b>
Executive and council		-	-	-	-	-	-	-	-	840	882
Budget and treasury office		2 000	-	-	648	648	648	648	-	-	-
Corporate services		800	-	-	1 422	285	285	285	-	1 000	500
<b>Community and public safety</b>		<b>11 377</b>	<b>4 014</b>	<b>12 481</b>	<b>8 849</b>	<b>23 480</b>	<b>23 480</b>	<b>23 480</b>	<b>6 152</b>	<b>6 729</b>	<b>5 550</b>
Community and social services		11 377	-	11 835	5 246	8 439	8 439	8 439	1 310	-	-
Sport and recreation		-	692	646	3 403	15 041	15 041	15 041	4 842	6 729	5 550
Public safety		-	3 322	-	200	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		<b>3 989</b>	-	<b>3 322</b>	<b>19 018</b>	<b>31 970</b>	<b>31 970</b>	<b>31 970</b>	<b>15 788</b>	<b>7 695</b>	<b>9 500</b>
Planning and development		370	-	-	1 500	1 500	1 500	1 500	-	1 500	3 500
Road transport		3 619	-	3 322	17 218	30 170	30 170	30 170	15 788	6 195	6 000
Environmental protection		-	-	-	300	300	300	300	-	-	-
<b>Trading services</b>		<b>3 550</b>	-	<b>38 137</b>	<b>23 246</b>	<b>32 811</b>	<b>32 811</b>	<b>32 811</b>	<b>58 812</b>	<b>69 000</b>	<b>91 500</b>
Electricity		2 350	-	-	2 500	2 500	2 500	2 500	28 000	30 000	20 000
Water		150	-	-	10 500	18 000	18 000	18 000	30 000	39 000	71 500
Waste water management		1 050	-	-	9 646	12 311	12 311	12 311	812	-	-
Waste management		-	-	-	600	-	-	-	-	-	-
<b>Other</b>		<b>5 558</b>	<b>7 848</b>	<b>38 137</b>	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	<b>3</b>	<b>27 274</b>	<b>11 862</b>	<b>53 940</b>	<b>53 183</b>	<b>89 195</b>	<b>89 195</b>	<b>89 195</b>	<b>80 752</b>	<b>85 264</b>	<b>107 932</b>
<b>Funded by:</b>											
National Government		18 254	11 862	24 701	33 813	72 722	72 722	72 722	79 442	78 924	99 050
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>4</b>	<b>18 254</b>	<b>11 862</b>	<b>24 701</b>	<b>33 813</b>	<b>72 722</b>	<b>72 722</b>	<b>72 722</b>	<b>79 442</b>	<b>78 924</b>	<b>99 050</b>
<b>Public contributions &amp; donations</b>	<b>5</b>	-	-	-	-	-	-	-	-	-	-
<b>Borrowing</b>	<b>6</b>	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		<b>9 020</b>	-	<b>29 239</b>	<b>19 370</b>	<b>16 473</b>	<b>16 473</b>	<b>16 473</b>	<b>1 310</b>	<b>6 340</b>	<b>8 882</b>
<b>Total Capital Funding</b>	<b>7</b>	<b>27 274</b>	<b>11 862</b>	<b>53 940</b>	<b>53 183</b>	<b>89 195</b>	<b>89 195</b>	<b>89 195</b>	<b>80 752</b>	<b>85 264</b>	<b>107 932</b>

As part of the budget documentation there is a Draft Prioritisation Model for Capital Assets Investment (attached as Annexure1 to this report) against which all capital projects will be evaluated and prioritised for competing for available capital budget funding resources.

Total capital expenditure is depicted to be R 80.7 million for 2016/17 financial year. The high increase from R50,2 million of adjusted budget relate to allocation relating to MWIG and INEP of R30 million and R28 million respectively.

Tables 13 below detail the municipality's three year consolidated MIG infrastructure investment program for 2016/2017 to 2018/2019.

Municipal Infrastructure Grant (MIG) allocation of R22.5 million for 2016/2017 will be allocated as follows:

**Table 13: Capital programme (MIG funded)**

PROJECT NAME	15/16	16/17	17/18	18/19
Multi-Purpose Centre X6	R 8 439 130			
Upgrade Sport facilities - stand 752	R 3 424 843			
Storm water Limpopo street (phase 1)	R 4 811 078			
Road paving Phase 4	R 1 215 180	R 5809 825		
Bulk sewer X9	R 4 145 545	R 812 130		
Upgrade Sport facilities - stand 752 (grand stand)		R 2 850 000		
SUNFA Stadium		R 1 992 250	R 6 728 750	
Storm water Limpopo street Phase 2)		R 2 600 000		
Upgrade streets Spa park		R 4 797 500		
Pave Access road and fence Bela Bela Cemetery		R 2 581 245		
Upgrade Sport port facilities –Stand 274				R 4 887 623
Paving Bus route - Rapotokwane			R 5 000 000	
5 MI Reservoir ( BB WTP)			R 10 000 000	R 2 500 000
Road paving Phase 5			R 1 194 750	R 6 000 000
PMU	R 935 224	R 1 128 550	R 1 206 500	R 1 265 800
<b>TOTAL BUDGET</b>	<b>R 22 971 000</b>	<b>R 22 571 000</b>	<b>R 24 130 000</b>	<b>R 14 653 423</b>
<b>TOTAL ALLOCATION</b>	<b>R 22 971 000</b>	<b>R 22 571 000</b>	<b>R 24 130 000</b>	<b>R 25 316 000</b>

The combined capital expenditure is depicted as follows. The grant allocation as per bellow are in line with the Division of Revenue Act issued during the month of February 2016.

**Table 14: Sources of funding capital programme**

Capital (R000)	2016/17	2017/18	2018/19
MIG	22 571	24 130	25 316
MWIG	30 000	26 000	55 000
INEP	28 000	30 000	20 000
<b>Total</b>	<b>80 571</b>	<b>80 130</b>	<b>100 316</b>

Municipality continue to build a reserve which will be used to internally fund certain projects which play vital role in the service delivery. The bellow table depict own funded project with R1.3 million going to be spent in the 2016/2017 financial period.

**Table 15: Internally funded capital projects**

Department	Description	2016/17	2017/18	2018/19	Funding Model
LED	Intergrated Human Development Strategy	-	500 000	-	External
Town Planing	Comprehensive Land audit	-	500 000	-	External
Town Planing	Identification of suitable land for future cemetry in BBLM	-	500 000	500 000	OWN
LED	Cultural Amphitheater & Toursim Visitors Information Center	-	-	3 000 000	External
IT	Automated Performance Management System	-	1 000 000	500 000	OWN
Internal Audit	Audit and Risk software	-	840 000	882 000	OWN
Technical Services	Replacement of AC pipe	-	3 000 000	4 000 000	OWN
Socil and community	Fire Arms including ammunition and holsters	110 000	-	-	OWN
Socil and community	Furniture and Equipment: Multipurpose	1 200 000	-	-	OWN
	<b>TOTAL</b>	<b>1 310 000</b>	<b>6 340 000</b>	<b>8 882 000</b>	

For 2016/2017 budget year, it is anticipated that furniture for multipurpose centre will cover 91% of the total own source budget of R1,3 million, with the remainder going to be utilised on for protection and emergency department.

Also note that the prioritised capital programme is communicated through the IDP and through the utilisation of budget road show. Member of the public, stake holder, councillor even officials have been allowed opportunity to submit comments on the budget. The MFMA requires the Mayor to assess all comments received and then advise Council on any further steps to be taken to incorporate any inputs from all stakeholders. The Municipal Manager and the administration must in terms of section 68 of the MFMA assist the Mayor in this regard. All public participation comments which will take place in the month of April 2016 will be considered for implementation in the budget where appropriate.

## 1.5 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016/17 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes*.

**Table 16 MBRR TableA1 - Budget Summary**

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousands</b>										
<b><u>Financial Performance</u></b>										
Property rates	42 378	53 069	54 229	59 959	59 151	59 959	37 830	94 648	100 301	106 274
Service charges	112 690	117 170	115 338	150 578	153 215	156 715	168 447	172 645	182 339	192 899
Investment revenue	325	782	2 268	4 000	500	4 000	353	300	330	363
Transfers recognised - operational	34 903	64 022	59 666	67 877	67 877	67 877	66 002	71 118	77 760	85 092
Other own revenue	18 543	40 456	33 704	58 534	50 227	58 534	12 074	39 323	42 695	46 352
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>208 839</b>	<b>275 499</b>	<b>265 206</b>	<b>340 949</b>	<b>330 970</b>	<b>347 085</b>	<b>284 707</b>	<b>378 034</b>	<b>403 426</b>	<b>430 980</b>
Employee costs	66 555	77 128	87 909	107 833	106 080	107 833	51 651	104 758	110 052	116 655
Remuneration of councillors	4 077	5 801	5 968	6 269	6 269	6 269	6 061	6 708	7 177	7 680
Depreciation & asset impairment	31 985	53 177	29 120	29 885	29 885	29 885	15 154	28 000	29 400	30 870
Finance charges	1 247	3 310	6 957	2 097	2 405	2 097	308	2 646	2 910	3 201
Materials and bulk purchases	65 753	70 751	85 174	104 482	115 416	104 482	72 601	134 717	149 970	161 311
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	84 851	53 147	115 693	117 660	131 909	117 660	63 536	99 374	97 258	104 152
<b>Total Expenditure</b>	<b>254 467</b>	<b>263 313</b>	<b>330 820</b>	<b>368 226</b>	<b>391 964</b>	<b>368 226</b>	<b>209 311</b>	<b>376 203</b>	<b>396 767</b>	<b>423 870</b>
<b>Surplus/(Deficit)</b>	<b>(45 628)</b>	<b>12 186</b>	<b>(65 615)</b>	<b>(27 277)</b>	<b>(60 994)</b>	<b>(21 141)</b>	<b>75 396</b>	<b>1 831</b>	<b>6 659</b>	<b>7 110</b>
Transfers recognised - capital	16 413	15 836	24 701	34 971	73 989	73 989	24 874	80 571	80 130	100 316
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(29 215)</b>	<b>28 022</b>	<b>(40 914)</b>	<b>7 694</b>	<b>12 995</b>	<b>52 848</b>	<b>100 269</b>	<b>82 402</b>	<b>86 789</b>	<b>107 426</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(29 215)</b>	<b>28 022</b>	<b>(40 914)</b>	<b>7 694</b>	<b>12 995</b>	<b>52 848</b>	<b>100 269</b>	<b>82 402</b>	<b>86 789</b>	<b>107 426</b>
<b><u>Capital expenditure &amp; funds sources</u></b>										
<b>Capital expenditure</b>	<b>27 274</b>	<b>11 862</b>	<b>53 940</b>	<b>53 183</b>	<b>89 195</b>	<b>89 195</b>	<b>89 195</b>	<b>80 752</b>	<b>85 264</b>	<b>107 932</b>
Transfers recognised - capital	18 254	11 862	24 701	33 813	72 722	72 722	72 722	79 442	78 924	99 050
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	9 020	-	29 239	19 370	16 473	16 473	16 473	1 310	6 340	8 882
<b>Total sources of capital funds</b>	<b>27 274</b>	<b>11 862</b>	<b>53 940</b>	<b>53 183</b>	<b>89 195</b>	<b>89 195</b>	<b>89 195</b>	<b>80 752</b>	<b>85 264</b>	<b>107 932</b>
<b><u>Financial position</u></b>										
Total current assets	17 726	64 196	54 523	30 867	30 867	67 167	69 149	60 573	100 032	137 120
Total non current assets	712 438	699 892	719 256	767 406	767 406	757 406	634 718	761 806	802 154	846 757
Total current liabilities	40 217	36 697	94 243	39 443	39 443	75 743	75 743	44 250	47 063	50 916
Total non current liabilities	48 338	62 216	47 461	47 579	47 579	47 579	47 579	54 880	58 173	61 663
Community wealth/Equity	641 609	665 175	632 074	711 252	711 252	701 252	580 545	723 248	796 950	871 298
<b><u>Cash flows</u></b>										
Net cash from (used) operating	19 488	53 175	19 234	37 578	60 348	50 342	50 342	110 909	102 468	123 651
Net cash from (used) investing	(8 899)	(13 636)	(47 860)	(53 183)	(89 195)	(89 195)	(89 195)	(70 702)	(75 209)	(97 872)
Net cash from (used) financing	91	(11 434)	10 630	(3 823)	-	-	-	2 000	5 000	7 000
<b>Cash/cash equivalents at the year end</b>	<b>2 548</b>	<b>30 653</b>	<b>12 656</b>	<b>(6 771)</b>	<b>(35 618)</b>	<b>(26 197)</b>	<b>(26 197)</b>	<b>6 588</b>	<b>38 848</b>	<b>71 627</b>
<b><u>Cash backing/surplus reconciliation</u></b>										
Cash and investments available	2 548	30 653	12 656	26 498	26 498	52 798	52 798	26 588	68 848	108 627
Application of cash and investments	12 296	(13 081)	52 311	15 172	13 571	51 024	45 298	(13 408)	(11 468)	(10 535)
<b>Balance - surplus (shortfall)</b>	<b>(9 748)</b>	<b>43 734</b>	<b>(39 654)</b>	<b>11 326</b>	<b>12 927</b>	<b>1 774</b>	<b>7 500</b>	<b>39 996</b>	<b>80 316</b>	<b>119 162</b>
<b><u>Asset management</u></b>										
Asset register summary (WDV)	704 011	689 770	717 512	757 406	757 406	757 406	750 806	750 806	786 154	825 557
Depreciation & asset impairment	31 985	53 177	29 120	29 885	29 885	29 885	28 000	28 000	29 400	30 870
Renewal of Existing Assets	-	-	-	-	-	-	-	18 118	-	-
Repairs and Maintenance	5 734	10 848	12 876	22 113	20 047	22 113	29 812	29 812	34 574	38 659
<b><u>Free services</u></b>										
Cost of Free Basic Services provided	13 193	13 888	14 619	15 388	15 388	15 388	16 198	16 198	17 494	18 893
Revenue cost of free services provided	32 480	24 142	33 781	30 872	43 680	35 872	36 327	36 327	40 706	44 638
<b><u>Households below minimum service level</u></b>										
Water:	13	13	13	11	11	11	10	10	8	7
Sanitation/sewage:	17	17	17	14	14	14	12	12	11	10
Energy:	3	3	3	3	3	3	3	3	2	2
Refuse:	3	3	3	3	3	3	3	3	3	3

## **Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. The operating surplus/deficit (after total expenditure and before capital spending) is positive over the MTREF.
4. The MTREF for 2016/2017 depicts a surplus of R1.0 million before taking non cash (depreciation) item into consideration.
5. The surpluses after capital transfers is R80.5 million. The high increase is as result of the allocation of R 58 million (R30 million plus R28 millions of MWIG and INEP respectively). These allocation was provided to Municipality in the past financial period, but for 2016/2017 was increased enormously over 100%.
6. The 2015/2016 full year forecast depict a surplus of R13 million. The pre-audit outcome depict a surplus of R100 million. The full year forecast differ significantly with the pre-audit outcome because the pre-audit outcome relate to the actual 9 months performance while the full year forecast relate to the 12 month projected performance.
7. These include non-cash items comprising of depreciation on unbundled assets and provision for bad debts. However these non-cash items will not profoundly affect revenue and expenditure as well as the cash flows of the municipality.

**Table 17 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		80 694	111 354	131 214	170 123	151 659	176 260	182 968	190 881	232 440
Executive and council		—	—	—	—	—	—	—	—	—
Budget and treasury office		80 068	110 182	129 977	167 849	149 384	173 985	181 458	189 066	230 420
Corporate services		626	1 172	1 236	2 275	2 275	2 275	1 510	1 815	2 020
<i>Community and public safety</i>		16 376	39 732	9 407	22 805	24 919	22 805	28 390	30 585	32 983
Community and social services		229	258	1 685	538	653	538	390	435	500
Sport and recreation		—	—	—	—	—	—	—	—	—
Public safety		16 147	39 474	7 722	22 267	24 267	22 267	28 000	30 150	32 483
Housing		—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		17 685	16 979	24 895	24 390	63 408	63 408	23 853	24 380	25 616
Planning and development		272	142	195	333	333	333	200	250	300
Road transport		17 413	16 837	24 701	24 056	63 074	63 074	23 653	24 130	25 316
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		110 497	123 270	124 391	158 602	164 973	158 602	223 394	237 710	240 258
Electricity		74 694	85 581	86 070	110 662	111 524	110 662	147 489	156 330	153 790
Water		28 807	30 116	30 555	39 330	42 830	39 330	61 042	65 600	69 688
Waste water management		—	—	—	—	—	—	—	—	—
Waste management		6 996	7 573	7 766	8 609	10 619	8 609	14 862	15 780	16 780
<i>Other</i>	4	—	—	—	—	—	—	—	—	—
<b>Total Revenue - Standard</b>	<b>2</b>	<b>225 252</b>	<b>291 335</b>	<b>289 907</b>	<b>375 920</b>	<b>404 959</b>	<b>421 074</b>	<b>458 605</b>	<b>483 556</b>	<b>531 296</b>
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		128 340	135 428	180 419	179 223	197 603	179 223	224 521	232 126	246 646
Executive and council		11 656	17 825	13 662	22 887	21 068	22 887	10 269	12 060	12 753
Budget and treasury office		91 911	87 776	105 059	97 927	102 708	97 927	161 835	169 635	179 909
Corporate services		24 773	29 827	61 698	58 408	73 827	58 408	52 417	50 431	53 984
<i>Community and public safety</i>		23 497	23 671	19 799	34 925	28 743	34 925	12 040	14 016	15 937
Community and social services		9 957	9 447	9 109	14 482	13 699	14 482	5 823	6 983	8 093
Sport and recreation		—	—	—	—	—	—	—	—	—
Public safety		13 540	14 224	10 690	20 443	15 044	20 443	6 217	7 033	7 844
Housing		—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		12 299	15 362	17 970	26 259	23 981	26 259	13 449	11 394	14 249
Planning and development		5 190	5 180	6 899	11 111	11 339	11 111	2 632	2 772	2 872
Road transport		7 109	10 182	11 071	15 148	12 643	15 148	10 817	8 622	11 377
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		90 332	88 852	112 632	127 819	141 637	127 819	126 193	139 232	147 038
Electricity		62 843	61 304	78 116	88 268	102 537	88 268	104 848	116 787	122 392
Water		20 414	19 958	24 478	27 680	27 180	27 680	16 598	18 844	20 716
Waste water management		—	—	—	—	—	—	—	—	—
Waste management		7 075	7 590	10 039	11 871	11 920	11 871	4 747	3 600	3 930
<i>Other</i>	4	—	—	—	—	—	—	—	—	—
<b>Total Expenditure - Standard</b>	<b>3</b>	<b>254 467</b>	<b>263 313</b>	<b>330 820</b>	<b>368 226</b>	<b>391 964</b>	<b>368 226</b>	<b>376 203</b>	<b>396 767</b>	<b>423 870</b>
<b>Surplus/(Deficit) for the year</b>		<b>(29 215)</b>	<b>28 022</b>	<b>(40 914)</b>	<b>7 694</b>	<b>12 995</b>	<b>52 848</b>	<b>82 402</b>	<b>86 789</b>	<b>107 426</b>

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enable the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) of R80.5 million, R80.1 million and R100.3 million over the 2016/2017 MTREF.

- Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this ***is indeed*** the case for Electricity, Water and Waste water functions. However, these amounts should be treated with caution as these services are not truly ring-fenced. A fully fledged Activity Based Costing should be conducted in order to confirm this general principle. As already noted on the executive summary, the Municipality has utilise the services of experts to assist in ensuring the tariffs are cost reflective. This has resulted in Municipality restructuring certain tariff to ensure they do not incur loss while making sure the service delivery programme and affordability are not hugely impacted in any way due to restructuring of the tariff model.

**Table 18 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote	1									
Vote 1 - Chief Financial Officer		72 379	110 182	129 977	157 849	139 384	163 985	151 458	163 066	175 420
Vote 2 - Corporate Services		626	1 172	1 236	2 275	2 275	2 275	1 510	1 815	2 020
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-
Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 5 - Planning and Economic Development		272	142	195	333	333	333	200	250	300
Vote 6 - Social and Community Services		23 372	47 305	17 173	31 414	35 538	31 414	43 252	46 365	49 762
Vote 7 - Speaker		-	-	-	-	-	-	-	-	-
Vote 8 - Technical Services		128 603	132 533	141 325	184 049	227 428	223 067	262 184	272 060	303 794
Vote 9 - Balance Sheet		-	-	-	-	-	-	-	-	-
Vote 10 - Balance Sheet		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	225 252	291 335	289 907	375 920	404 959	421 074	458 605	483 556	531 296
Expenditure by Vote to be appropriated	1									
Vote 1 - Chief Financial Officer		90 464	87 776	105 059	97 927	102 708	97 927	161 835	169 635	179 909
Vote 2 - Corporate Services		24 773	29 827	61 698	58 408	73 827	58 408	52 417	50 431	53 984
Vote 3 - Mayor		1 413	1 708	1 609	2 358	1 234	2 358	970	1 022	1 097
Vote 4 - Municipal Manager		3 075	3 475	3 957	10 420	10 420	10 420	539	609	674
Vote 5 - Planning and Economic Development		5 190	5 180	6 899	11 111	11 339	11 111	2 632	2 772	2 872
Vote 6 - Social and Community Services		30 572	31 261	29 838	46 796	40 663	46 796	16 787	17 616	19 867
Vote 7 - Speaker		7 168	12 642	8 096	10 110	9 415	10 110	8 760	10 429	10 982
Vote 8 - Technical Services		91 812	91 444	113 665	131 096	142 360	131 096	132 263	144 254	154 485
Vote 9 - Balance Sheet		-	-	-	-	-	-	-	-	-
Vote 10 - Balance Sheet		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	254 467	263 313	330 820	368 226	391 964	368 226	376 203	396 767	423 870
Surplus/(Deficit) for the year	2	(29 215)	28 022	(40 914)	7 694	12 995	52 848	82 402	86 789	107 426

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote; and
- The table shows that technical services is the largest generator of revenue. This is due to the size of the department as well as its responsibility over service delivery projects such as water, electricity and sanitation.



**Table 19 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure) by type**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>	<b>1</b>										
<b>Expenditure By Type</b>											
Employee related costs	2	66 555	77 128	87 909	107 833	106 080	107 833	51 651	104 758	110 052	116 655
Remuneration of councillors		4 077	5 801	5 968	6 269	6 269	6 269	6 061	6 708	7 177	7 680
Debt impairment	3	34 770	1 595	(18 908)	27 712	27 712	27 712	5 537	15 000	15 750	16 538
Depreciation & asset impairment	2	31 985	53 177	29 120	29 885	29 885	29 885	15 154	28 000	29 400	30 870
Finance charges		1 247	3 310	6 957	2 097	2 405	2 097	308	2 646	2 910	3 201
Bulk purchases	2	60 019	59 903	72 298	82 369	95 369	82 369	65 256	104 906	115 397	122 653
Other materials	8	5 734	10 848	12 876	22 113	20 047	22 113	7 345	29 812	34 574	38 659
Contracted services		19 155	23 975	26 940	38 586	31 529	38 586	19 377	21 222	17 440	19 539
Transfers and grants		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	30 926	27 576	107 661	51 362	72 668	51 362	38 622	63 152	64 068	68 076
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–
<b>Total Expenditure</b>		<b>254 467</b>	<b>263 313</b>	<b>330 820</b>	<b>368 226</b>	<b>391 964</b>	<b>368 226</b>	<b>209 311</b>	<b>376 203</b>	<b>396 767</b>	<b>423 870</b>
<b>Surplus/(Deficit)</b>		<b>(45 628)</b>	<b>12 186</b>	<b>(65 615)</b>	<b>(27 277)</b>	<b>(60 994)</b>	<b>(21 141)</b>	<b>75 396</b>	<b>1 831</b>	<b>6 659</b>	<b>7 110</b>
Transfers recognised - capital		16 413	15 836	24 701	34 971	73 989	73 989	24 874	80 571	80 130	100 316
Contributions recognised - capital	6	–	–	–	–	–	–	–	–	–	–
Contributed assets		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(29 215)</b>	<b>28 022</b>	<b>(40 914)</b>	<b>7 694</b>	<b>12 995</b>	<b>52 848</b>	<b>100 269</b>	<b>82 402</b>	<b>86 789</b>	<b>107 426</b>
Taxation		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after taxation</b>		<b>(29 215)</b>	<b>28 022</b>	<b>(40 914)</b>	<b>7 694</b>	<b>12 995</b>	<b>52 848</b>	<b>100 269</b>	<b>82 402</b>	<b>86 789</b>	<b>107 426</b>
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(29 215)</b>	<b>28 022</b>	<b>(40 914)</b>	<b>7 694</b>	<b>12 995</b>	<b>52 848</b>	<b>100 269</b>	<b>82 402</b>	<b>86 789</b>	<b>107 426</b>
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>		<b>(29 215)</b>	<b>28 022</b>	<b>(40 914)</b>	<b>7 694</b>	<b>12 995</b>	<b>52 848</b>	<b>100 269</b>	<b>82 402</b>	<b>86 789</b>	<b>107 426</b>

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue was R330.9 million in 2015/2016 adjusted budget and increased to R378.0 million in 2016/17 budget year. The percentage increase of 14.0% is above the stipulated norm of 4.8% as advised in the circular no.71 due to restructuring of the certain services charges and a new valuation roll that increased the number of properties and the values thereof. It must be noted that property rates revenue due to the general valuation will undergo increased substantially. Water, electricity and sanitation revenue tariffs also underwent some restructuring to be cost reflective;
2. Revenue to be generated from property rates is projected to be R94.6 million in the 2016/2017 financial year (before taking into account revenue forgone) which was increased from R59.1 million of the 2015/2016 adjusted budget. This increase is estimated at around 60% and can be articulated to the new valuation roll conducted after the last valuation roll of 2011;
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R172.6 million for the 2016/17 financial year and increasing to R192.9 million by 2018/19. For the 2016/17 financial year services charges constitute 56.0% of the total revenue (excluding grants) base and grows by less than 10% per annum over the medium-term;
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government; and
5. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

**Table 20 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Chief Financial Officer		-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-	-
Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and Economic Development		-	-	-	-	-	-	-	-	-	-
Vote 6 - Social and Community Services		-	-	11 835	8 849	23 480	23 480	23 480	4 842	6 729	5 550
Vote 7 - Speaker		-	-	-	-	-	-	-	-	-	-
Vote 8 - Technical Services		-	-	38 137	37 664	61 955	61 955	61 955	74 600	72 195	93 500
Vote 9 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 10 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	-	-	<b>49 972</b>	<b>46 513</b>	<b>85 436</b>	<b>85 436</b>	<b>85 436</b>	<b>79 442</b>	<b>78 924</b>	<b>99 050</b>
<b>Single-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Chief Financial Officer		2 000	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		800	-	-	2 070	933	933	933	-	1 000	500
Vote 3 - Mayor		-	-	-	-	-	-	-	-	-	-
Vote 4 - Municipal Manager		-	-	-	-	-	-	-	-	840	882
Vote 5 - Planning and Economic Development		370	-	-	1 500	1 500	1 500	1 500	-	1 500	3 500
Vote 6 - Social and Community Services		14 996	4 014	646	900	300	300	300	1 310	-	-
Vote 7 - Speaker		-	-	-	-	-	-	-	-	-	-
Vote 8 - Technical Services		9 108	7 848	3 322	2 200	1 026	1 026	1 026	-	3 000	4 000
Vote 9 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 10 - Balance Sheet		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>27 274</b>	<b>11 862</b>	<b>3 968</b>	<b>6 670</b>	<b>3 759</b>	<b>3 759</b>	<b>3 759</b>	<b>1 310</b>	<b>6 340</b>	<b>8 882</b>
<b>Total Capital Expenditure - Vote</b>		<b>27 274</b>	<b>11 862</b>	<b>53 940</b>	<b>53 183</b>	<b>89 195</b>	<b>89 195</b>	<b>89 195</b>	<b>80 752</b>	<b>85 264</b>	<b>107 932</b>
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		<b>2 800</b>	-	-	<b>2 070</b>	<b>933</b>	<b>933</b>	<b>933</b>	-	<b>1 840</b>	<b>1 382</b>
Executive and council		-	-	-	-	-	-	-	-	840	882
Budget and treasury office		2 000	-	-	648	648	648	648	-	-	-
Corporate services		800	-	-	1 422	285	285	285	-	1 000	500
<b>Community and public safety</b>		<b>11 377</b>	<b>4 014</b>	<b>12 481</b>	<b>8 849</b>	<b>23 480</b>	<b>23 480</b>	<b>23 480</b>	<b>6 152</b>	<b>6 729</b>	<b>5 550</b>
Community and social services		11 377	-	11 835	5 246	8 439	8 439	8 439	1 310	-	-
Sport and recreation		-	692	646	3 403	15 041	15 041	15 041	4 842	6 729	5 550
Public safety		-	3 322	-	200	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		<b>3 989</b>	-	<b>3 322</b>	<b>19 018</b>	<b>31 970</b>	<b>31 970</b>	<b>31 970</b>	<b>15 788</b>	<b>7 695</b>	<b>9 500</b>
Planning and development		370	-	-	1 500	1 500	1 500	1 500	-	1 500	3 500
Road transport		3 619	-	3 322	17 218	30 170	30 170	30 170	15 788	6 195	6 000
Environmental protection		-	-	-	300	300	300	300	-	-	-
<b>Trading services</b>		<b>3 550</b>	-	<b>38 137</b>	<b>23 246</b>	<b>32 811</b>	<b>32 811</b>	<b>32 811</b>	<b>58 812</b>	<b>69 000</b>	<b>91 500</b>
Electricity		2 350	-	-	2 500	2 500	2 500	2 500	28 000	30 000	20 000
Water		150	-	-	10 500	18 000	18 000	18 000	30 000	39 000	71 500
Waste water management		1 050	-	-	9 646	12 311	12 311	12 311	812	-	-
Waste management		-	-	-	600	-	-	-	-	-	-
<b>Other</b>		<b>5 558</b>	<b>7 848</b>	<b>38 137</b>	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	<b>3</b>	<b>27 274</b>	<b>11 862</b>	<b>53 940</b>	<b>53 183</b>	<b>89 195</b>	<b>89 195</b>	<b>89 195</b>	<b>80 752</b>	<b>85 264</b>	<b>107 932</b>
<b>Funded by:</b>											
National Government		18 254	11 862	24 701	33 813	72 722	72 722	72 722	79 442	78 924	99 050
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>4</b>	<b>18 254</b>	<b>11 862</b>	<b>24 701</b>	<b>33 813</b>	<b>72 722</b>	<b>72 722</b>	<b>72 722</b>	<b>79 442</b>	<b>78 924</b>	<b>99 050</b>
<b>Public contributions &amp; donations</b>	<b>5</b>	-	-	-	-	-	-	-	-	-	-
<b>Borrowing</b>	<b>6</b>	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		<b>9 020</b>	-	<b>29 239</b>	<b>19 370</b>	<b>16 473</b>	<b>16 473</b>	<b>16 473</b>	<b>1 310</b>	<b>6 340</b>	<b>8 882</b>
<b>Total Capital Funding</b>	<b>7</b>	<b>27 274</b>	<b>11 862</b>	<b>53 940</b>	<b>53 183</b>	<b>89 195</b>	<b>89 195</b>	<b>89 195</b>	<b>80 752</b>	<b>85 264</b>	<b>107 932</b>

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (single - year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial department;
2. Single-year capital expenditure has been appropriated at R80.7 million for the 2016/2017 financial year and was increased from R50.2 million of 2015/2016 adjusted budget;
3. R1.3 million has been budgeted from municipality's own sources for 2016/2017 financial period; and
4. The municipality has not budgeted for any long term borrowing to fund the capital programme.

**Table 21 MBRR Table A6 -Budgeted Financial Position**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>											
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		3 060	30 653	12 656	16 498	16 498	16 498	16 498	6 588	38 848	71 627
Call investment deposits	1	-	-	-	-	-	36 300	36 300	10 000	15 000	17 000
Consumer debtors	1	13 675	26 254	27 852	13 033	13 033	13 033	13 033	29 244	30 707	32 242
Other debtors		891	7 184	13 880	1 179	1 179	1 179	3 319	14 574	15 303	16 068
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	100	106	134	158	158	158	-	166	174	183
<b>Total current assets</b>		<b>17 726</b>	<b>64 196</b>	<b>54 523</b>	<b>30 867</b>	<b>30 867</b>	<b>67 167</b>	<b>69 149</b>	<b>60 573</b>	<b>100 032</b>	<b>137 120</b>
<b>Non current assets</b>											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		-	-	-	10 000	10 000	-	-	10 000	15 000	20 000
Investment property		173 369	175 141	176 953	-	-	-	-	177 000	178 000	181 000
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	528 555	512 499	538 496	755 472	755 472	755 472	632 784	570 806	605 054	641 357
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		2 087	2 130	2 064	1 934	1 934	1 934	1 934	3 000	3 100	3 200
Other non-current assets		8 427	10 122	1 744	-	-	-	-	1 000	1 000	1 200
<b>Total non current assets</b>		<b>712 438</b>	<b>699 892</b>	<b>719 256</b>	<b>767 406</b>	<b>767 406</b>	<b>757 406</b>	<b>634 718</b>	<b>761 806</b>	<b>802 154</b>	<b>846 757</b>
<b>TOTAL ASSETS</b>		<b>730 164</b>	<b>764 088</b>	<b>773 778</b>	<b>798 273</b>	<b>798 273</b>	<b>824 573</b>	<b>703 867</b>	<b>822 378</b>	<b>902 186</b>	<b>983 877</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	512	0	0	-	-	-	-	-	-	-
Borrowing	4	-	-	-	-	-	-	-	-	-	-
Consumer deposits		3 519	5 523	5 473	5 000	5 000	5 000	5 000	5 250	5 513	5 788
Trade and other payables	4	27 575	18 089	84 048	27 443	27 443	63 743	63 743	28 000	30 000	33 000
Provisions		8 611	13 085	4 722	7 000	7 000	7 000	7 000	11 000	11 550	12 128
<b>Total current liabilities</b>		<b>40 217</b>	<b>36 697</b>	<b>94 243</b>	<b>39 443</b>	<b>39 443</b>	<b>75 743</b>	<b>75 743</b>	<b>44 250</b>	<b>47 063</b>	<b>50 916</b>
<b>Non current liabilities</b>											
Borrowing		11 137	10 767	1 754	3 300	3 300	3 300	3 300	6 620	7 017	7 438
Provisions		37 201	51 448	45 707	44 279	44 279	44 279	44 279	48 260	51 156	54 225
<b>Total non current liabilities</b>		<b>48 338</b>	<b>62 216</b>	<b>47 461</b>	<b>47 579</b>	<b>47 579</b>	<b>47 579</b>	<b>47 579</b>	<b>54 880</b>	<b>58 173</b>	<b>61 663</b>
<b>TOTAL LIABILITIES</b>		<b>88 555</b>	<b>98 913</b>	<b>141 704</b>	<b>87 022</b>	<b>87 022</b>	<b>123 322</b>	<b>123 322</b>	<b>99 130</b>	<b>105 235</b>	<b>112 579</b>
<b>NET ASSETS</b>	5	<b>641 609</b>	<b>665 175</b>	<b>632 074</b>	<b>711 252</b>	<b>711 252</b>	<b>701 252</b>	<b>580 545</b>	<b>723 248</b>	<b>796 950</b>	<b>871 298</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		641 609	665 175	632 074	711 252	711 252	701 252	580 545	723 248	796 950	871 298
Reserves	4	-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>641 609</b>	<b>665 175</b>	<b>632 074</b>	<b>711 252</b>	<b>711 252</b>	<b>701 252</b>	<b>580 545</b>	<b>723 248</b>	<b>796 950</b>	<b>871 298</b>

## **Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet);
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first;
3. Table A6 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current liabilities;
  - Changes in net assets; and
  - Reserves.
4. The Municipal's equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community; and
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 22 MBRR Table A7 - Budgeted Cash Flow Statement**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		51 180	53 069	54 229	52 436	59 151	51 781	51 781	89 915	90 271	95 647
Service charges		112 162	113 767	72 148	131 686	153 215	150 578	150 578	164 013	164 105	173 609
Other revenue		12 538	735	28 210	48 201	43 948	43 948	43 948	35 823	38 845	42 117
Government - operating	1	34 903	64 022	58 544	67 877	67 877	67 877	67 877	71 118	77 760	85 092
Government - capital	1	16 413	15 836	24 701	34 971	73 989	73 989	73 989	79 442	78 924	99 050
Interest		6 330	4 674	8 317	13 037	6 779	6 779	6 779	3 800	4 180	4 598
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(210 862)	(195 618)	(226 714)	(308 533)	(342 206)	(342 206)	(342 206)	(330 557)	(348 707)	(373 261)
Finance charges		(3 176)	(3 310)	(201)	(2 097)	(2 405)	(2 405)	(2 405)	(2 646)	(2 910)	(3 201)
Transfers and Grants	1	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		19 488	53 175	19 234	37 578	60 348	50 342	50 342	110 909	102 468	123 651
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		27	-	-					50	55	61
Decrease (Increase) in non-current debtors		-	-	-					-	-	-
Decrease (increase) other non-current receivables		809	1 194	2 633					-	-	-
Decrease (increase) in non-current investments		-	-	-					10 000	10 000	10 000
Payments											
Capital assets		(9 735)	(14 831)	(50 493)	(53 183)	(89 195)	(89 195)	(89 195)	(80 752)	(85 264)	(107 932)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(8 899)	(13 636)	(47 860)	(53 183)	(89 195)	(89 195)	(89 195)	(70 702)	(75 209)	(97 872)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-				-	-	-
Borrowing long term/refinancing		-	43	6 447	-				-	-	-
Increase (decrease) in consumer deposits		429	-	-	(523)				2 000	5 000	7 000
Payments											
Repayment of borrowing		(338)	(11 478)	4 183	(3 300)				-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		91	(11 434)	10 630	(3 823)	-	-	-	2 000	5 000	7 000
NET INCREASE/ (DECREASE) IN CASH HELD											
Cash/cash equivalents at the year begin:	2	(8 132)	2 548	30 653	12 656	(6 771)	12 656	12 656	(35 618)	6 588	38 848
Cash/cash equivalents at the year end:	2	2 548	30 653	12 656	(6 771)	(35 618)	(26 197)	(26 197)	6 588	38 848	71 627

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded;
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget;
3. The municipality shows positive net cash inflows of R5.8 million in 2016/2017; and
4. The cash position will continue to be managed by strict implementation of the credit control policy and cost containment measures.

**Table 23 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	2 548	30 653	12 656	(6 771)	(35 618)	(26 197)	(26 197)	6 588	38 848	71 627
Other current investments > 90 days		(0)	(0)	0	23 269	52 116	78 994	78 994	10 000	15 000	17 000
Non current assets - Investments	1	-	-	-	10 000	10 000	-	-	10 000	15 000	20 000
<b>Cash and investments available:</b>		<b>2 548</b>	<b>30 653</b>	<b>12 656</b>	<b>26 498</b>	<b>26 498</b>	<b>52 798</b>	<b>52 798</b>	<b>26 588</b>	<b>68 848</b>	<b>108 627</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		0	293	0	-	-	36 300	36 300	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	12 296	(13 374)	52 311	15 172	13 571	14 724	8 998	(13 408)	(11 468)	(10 535)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>12 296</b>	<b>(13 081)</b>	<b>52 311</b>	<b>15 172</b>	<b>13 571</b>	<b>51 024</b>	<b>45 298</b>	<b>(13 408)</b>	<b>(11 468)</b>	<b>(10 535)</b>
<b>Surplus(shortfall)</b>		<b>(9 748)</b>	<b>43 734</b>	<b>(39 654)</b>	<b>11 326</b>	<b>12 927</b>	<b>1 774</b>	<b>7 500</b>	<b>39 996</b>	<b>80 316</b>	<b>119 162</b>

**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. As part of the budgeting and planning guidelines that informed the compilation of the 2016/2017 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
6. The table shows that the budget is funded over the medium term, taking into account the working capital requirements.

**Table 24 MBRR Table A9 - Asset Management**



Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
CAPITAL EXPENDITURE										
<b>Total New Assets</b>	1	27 274	11 862	53 940	53 183	50 295	50 295	62 634	85 264	107 932
Infrastructure - Road transport		24 575	7 848	17 346	32 034	29 145	29 145	45 375	54 794	84 397
Infrastructure - Electricity		140	140	11 975	12 500	12 500	12 500	17 259	30 470	23 535
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		507	0	0	-	-	-	-	-	-
Infrastructure		25 223	7 989	29 321	44 534	41 645	41 645	62 634	85 264	107 932
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	1 406	3 228	23 973	8 649	8 649	8 649	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		646	646	646	-	-	-	-	-	-
<b>Total Renewal of Existing Assets</b>	2	-	-	-	-	-	-	18 118	-	-
Infrastructure - Road transport		-	-	-	-	-	-	5 810	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	5 810	-	-
Community		-	-	-	-	-	-	12 309	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	4	24 575	7 848	17 346	32 034	29 145	29 145	51 185	54 794	84 397
Infrastructure - Road transport		140	140	11 975	12 500	12 500	12 500	17 259	30 470	23 535
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		507	0	0	-	-	-	-	-	-
Infrastructure		25 223	7 989	29 321	44 534	41 645	41 645	68 444	85 264	107 932
Community		-	-	-	-	-	-	12 309	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	1 406	3 228	23 973	8 649	8 649	8 649	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		646	646	646	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	27 274	11 862	53 940	53 183	50 295	50 295	80 752	85 264	107 932
ASSET REGISTER SUMMARY - PPE (WDV)										
Infrastructure - Road transport	5				67 000	67 000	67 000	201 812	218 547	225 113
Infrastructure - Electricity					30 000	30 000	30 000	48 199	77 879	109 679
Infrastructure - Water					25 000	25 000	25 000	95 866	127 666	169 006
Infrastructure - Sanitation					44 000	44 000	44 000	65 018	65 879	69 831
Infrastructure - Other		528 555	512 499	356 467	150 000	150 000	150 000	35 536	37 669	39 929
Infrastructure		528 555	512 499	356 467	316 000	316 000	316 000	446 431	527 639	613 558
Community								36 534	43 055	50 188
Heritage assets								539	571	606
Investment properties		173 369	175 141	176 953	-	-	-	177 000	178 000	181 000
Other assets		(0)	0	182 029	439 472	439 472	439 472	87 302	33 788	(22 995)
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		2 087	2 130	2 064	1 934	1 934	1 934	3 000	3 100	3 200
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	704 011	689 770	717 512	757 406	757 406	757 406	750 806	786 154	825 557
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment	3	31 985	53 177	29 120	29 885	29 885	29 885	28 000	29 400	30 870
Repairs and Maintenance by Asset Class		5 734	10 848	12 876	22 113	20 047	22 113	29 812	34 574	38 659
Infrastructure - Road transport		(1 444)	(3 569)	3 895	6 700	6 700	6 700	9 520	8 220	7 920
Infrastructure - Electricity		1 414	1 625	5 614	5 905	5 905	5 905	7 200	9 400	11 600
Infrastructure - Water		-	1 682	2 586	3 800	3 800	3 800	7 000	8 000	9 000
Infrastructure - Sanitation		-	-	-	-	-	-	1 900	-	-
Infrastructure - Other		30	72	95	55	55	55	360	360	360
Infrastructure		-	(190)	12 190	16 460	16 460	16 460	25 980	25 980	28 880
Community		-	190	2 830	4 100	4 100	4 100	5 150	6 200	7 250
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	5 734	10 848	(2 144)	1 554	(512)	1 554	(1 319)	2 394	2 529
TOTAL EXPENDITURE OTHER ITEMS		37 719	64 025	41 996	51 998	49 932	51 998	57 812	63 974	69 529
Renewal of Existing Assets as % of total capex		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	22,4%	0,0%	0,0%
Renewal of Existing Assets as % of deprecn"		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	64,7%	0,0%	0,0%
R&M as a % of PPE		1,1%	2,1%	2,4%	2,9%	2,7%	2,9%	5,2%	5,7%	6,0%
Renewal and R&M as a % of PPE		1,0%	2,0%	2,0%	3,0%	3,0%	3,0%	6,0%	4,0%	5,0%

### **Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. The table shows that all of the capital allocations are for new assets.
3. National Treasury has recommended that municipalities should allocate at least 40% of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 10% of PPE or 8.6% of the total value of PPE of R604.7 million for the 2016/17 financial year.
4. As noted in the previous reporting financial year, the Council has noted with concern the current level of allocation for renewal of assets and maintenance. For this reason, the Technical Services Department has developed an Assets Renewal Strategy and a repairs and maintenance plan that will inform all future allocation decisions on repairs and maintenance.

**Table 25 MBRR Table A10 - Basic Service Delivery Measurement**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		1 150	1 150	14 073	14 073	14 073	14 073	14 073	14 073	14 073
Piped water inside yard (but not in dwelling)		1 150	1 150	855	855	855	855	855	855	855
Using public tap (at least min.service level)	2	1 150	1 150	3 136	3 136	3 136	3 136	3 136	3 136	3 136
Other water supply (at least min.service level)	4	1 150	1 150	—	4	4	4	4	4	4
<i>Minimum Service Level and Above sub-total</i>		4 600	4 600	18 064	18 068	18 068	18 068	18 068	18 068	18 068
Using public tap (< min.service level)	3	—	—	—	—	—	—	—	—	—
Other water supply (< min.service level)	4	13 468	13 468	13 468	11 468	11 468	11 468	9 868	8 268	6 668
No water supply		—	—	—	—	—	—	—	—	—
<i>Below Minimum Service Level sub-total</i>		13 468	13 468	13 468	11 468	11 468	11 468	9 868	8 268	6 668
<b>Total number of households</b>	5	<b>18 068</b>	<b>18 068</b>	<b>31 532</b>	<b>29 536</b>	<b>29 536</b>	<b>29 536</b>	<b>27 936</b>	<b>26 336</b>	<b>24 736</b>
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		300	300	14 928	14 928	14 928	14 928	14 928	14 928	14 928
Flush toilet (with septic tank)		300	300	855	855	855	855	855	855	855
Chemical toilet		300	300	20	24	24	—	—	—	—
Pit toilet (ventilated)		300	300	862	962	962	1 011	951	981	981
Other toilet provisions (> min.service level)		300	300	1 399	1 299	1 299	1 274	1 334	1 304	1 304
<i>Minimum Service Level and Above sub-total</i>		1 500	1 500	18 064	18 068	18 068	18 068	18 068	18 068	18 068
Bucket toilet		—	—	—	—	—	—	—	—	—
Other toilet provisions (< min.service level)		16 568	16 568	16 568	14 068	14 068	14 068	12 068	11 000	10 200
No toilet provisions		—	—	—	—	—	—	—	—	—
<i>Below Minimum Service Level sub-total</i>		16 568	16 568	16 568	14 068	14 068	14 068	12 068	11 000	10 200
<b>Total number of households</b>	5	<b>18 068</b>	<b>18 068</b>	<b>34 632</b>	<b>32 136</b>	<b>32 136</b>	<b>32 136</b>	<b>30 136</b>	<b>29 068</b>	<b>28 268</b>
<b>Energy:</b>										
Electricity (at least min.service level)		577	577	577	577	577	577	577	577	577
Electricity - prepaid (min.service level)		14 556	14 556	14 556	14 556	14 556	14 556	14 766	15 126	15 426
<i>Minimum Service Level and Above sub-total</i>		15 133	15 133	15 133	15 133	15 133	15 133	15 343	15 703	16 003
Electricity (< min.service level)		—	—	—	—	—	—	—	—	—
Electricity - prepaid (< min. service level)		—	—	—	—	—	—	—	—	—
Other energy sources		2 935	2 935	2 935	2 935	2 935	2 935	2 725	2 365	2 065
<i>Below Minimum Service Level sub-total</i>		2 935	2 935	2 935	2 935	2 935	2 935	2 725	2 365	2 065
<b>Total number of households</b>	5	<b>18 068</b>	<b>18 068</b>	<b>18 068</b>	<b>18 068</b>	<b>18 068</b>	<b>18 068</b>	<b>18 068</b>	<b>18 068</b>	<b>18 068</b>
<b>Refuse:</b>										
Removed at least once a week		8 370	9 140	9 500	9 600	16 000	16 000	16 300	16 450	16 600
<i>Minimum Service Level and Above sub-total</i>		8 370	9 140	9 500	9 600	16 000	16 000	16 300	16 450	16 600
Removed less frequently than once a week		—	—	—	—	—	—	—	—	—
Using communal refuse dump		2 350	2 350	2 350	2 350	2 270	2 270	2 270	2 270	2 270
Using own refuse dump		—	—	—	—	—	—	—	—	—
Other rubbish disposal		—	—	—	—	—	—	—	—	—
No rubbish disposal		1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095	1 095
<i>Below Minimum Service Level sub-total</i>		3 445	3 445	3 445	3 445	3 365	3 365	3 365	3 365	3 365
<b>Total number of households</b>	5	<b>11 815</b>	<b>12 585</b>	<b>12 945</b>	<b>13 045</b>	<b>19 365</b>	<b>19 365</b>	<b>19 665</b>	<b>19 815</b>	<b>19 965</b>
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		3 200	4 120	4 127	4 500	4 500	4 500	4 500	4 500	4 500
Sanitation (free minimum level service)		3 200	4 120	4 127	4 500	4 500	4 500	4 500	4 500	4 500
Electricity/other energy (50kwh per household per month)		3 200	4 120	4 127	4 500	4 500	4 500	4 500	4 500	4 500
Refuse (removed at least once a week)		3 200	4 120	4 127	4 500	4 500	4 500	4 500	4 500	4 500
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>	8									
Water (6 kilolitres per indigent household per month)		2 287	2 408	2 534	2 668	2 668	2 668	2 808	3 033	3 275
Sanitation (free sanitation service to indigent households)		6 881	7 243	7 624	8 026	8 026	8 026	8 448	9 124	9 854
Electricity/other energy (50kwh per indigent household per month)		1 132	1 192	1 254	1 320	1 320	1 320	1 390	1 501	1 621
Refuse (removed once a week for indigent households)		2 893	3 045	3 206	3 374	3 374	3 374	3 552	3 836	4 143
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>										
<b>Total cost of FBS provided</b>		<b>13 193</b>	<b>13 888</b>	<b>14 619</b>	<b>15 388</b>	<b>15 388</b>	<b>15 388</b>	<b>16 198</b>	<b>17 494</b>	<b>18 893</b>
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)		1	1	1	1	1	1	1	1	1
Water (kilolitres per household per month)	10	10	10	10	10	10	10	6	6	6
Sanitation (kilolitres per household per month)	—	—	—	—	10	10	10	10	10	10
Sanitation (Rand per household per month)	1	1	1	1	1	1	1	1	1	1
Electricity (kwh per household per month)	100	100	100	100	100	100	100	70	50	50
Refuse (average litres per week)	1	1	1	1	1	1	1	1	1	1
<b>Revenue cost of subsidised services provided (R'000)</b>	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		50	50	50	50	50	50	50	50	50
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		28 432	19 093	25 838	24 137	31 945	24 137	29 726	32 779	36 122
Water (in excess of 6 kilolitres per indigent household per month)		1 522	2 074	3 528	2 287	2 287	2 287	3 076	4 124	4 413
Sanitation (in excess of free sanitation service to indigent households)		1 180	1 407	2 116	2 805	2 805	2 805	—	—	—
Electricity/other energy (in excess of 50 kwh per indigent household per month)		32	17	(4)	5	5 005	5 005	3 475	3 753	4 053
Refuse (in excess of one removal a week for indigent households)		1 264	1 501	2 254	1 588	1 588	1 588	—	—	—
Municipal Housing - rental rebates		—	—	—	—	—	—	—	—	—
Housing - top structure subsidies		—	—	—	—	—	—	—	—	—
Other		—	—	—	—	—	—	—	—	—
<b>Total revenue cost of subsidised services provided</b>	6	<b>32 480</b>	<b>24 142</b>	<b>33 781</b>	<b>30 872</b>	<b>43 680</b>	<b>35 872</b>	<b>36 327</b>	<b>40 706</b>	<b>44 638</b>

### **Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

## Part 2 – Supporting Documentation

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### 2.1 Overview of the annual budget process

#### 2.1.1 Overview of the annual IDP/ budget process

In terms of the MFMA (Act no 56 of 2003), 16. (1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year

This Medium Term Revenue and Expenditure Framework (MTREF) Report for the 2016/2017 to 2018/2019 financial years deals with the operating budget and tariff proposals as well as the capital budget and funding sources proposals to ensure that Bela-Bela Local Municipality renders services to its local community in a sustainable manner.

The MTREF Report starts with a discussion of the legislative requirements to which the Municipality must adhere to, the MFMA budget circulars with directives issued by National Treasury, the budget related policies of Council and budget assumptions for next three financial years based on these documents and assumed economic trends. A high level summary of the operating and capital budget followed with appropriate recommendations. Supporting information in the form of appendices, annexures and tables will form part of this report.

Circular 78 was issued on the 7th of December 2015 which deal with the 2016/17 budget and highlight critical areas which the Municipality must take into consideration. One of the main consideration to be take was to inform Municipality to adopt 2016/17 budget as result of forthcoming local government elections which are normally held in May every four years. It is considered prudent to start the budget process and adoption early. It is anticipated that the outgoing Council would adopt the new budget prior to vacation of office. In this way the new incoming Council may not have to start the process from scratch, but oversee implementation of the approved budget. Therefore the 2016/17 budget will need to be approved by council early than normal approval time

Section 53 of the MFMA further requires the Mayor of the Municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

#### 2.1.2. Budget Process Overview

The preparation of a reviewed IDP/ Budget is based on a Process Plan, which Bela-Bela Local Municipality adopted in terms of the MFMA. The Plan establishes a firm foundation for the alignment of the IDP and budget preparation processes. This plan included the following:-

- a programme specifying the time frames for the different planning steps;

- appropriate mechanisms, processes and procedures for consultation and participation of local communities, organs of state, traditional authorities, and other role players in the IDP finalizing process;
- an indication of the organisational arrangements for the IDP process;
- binding plans and planning requirements, i.e. policy and legislation;

The objectives of the Process Plan are as follows:

- to guide decision making in respect of service delivery and public sector investment;
- to inform budgets and Service delivery programs of various government departments and service agencies; and
- to coordinate the activities of various service delivery agencies within Bela-Bela Local Municipality.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council taking into consideration circular 78 which require Municipality to early adopt the budget as compared to normal time frame.

## **2.2. IDP and Service Delivery and Budget Implementation Plan**

This is the last IDP of the current Council which came into office after the May 2011 elections. The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Revision of the IDP, and
- The review of the performance management and monitoring processes.

The final IDP has been taken into a business and financial planning process leading up to the final 2016/2017 MTREF, based on the adjusted 2015/2016 MTREF and the mid-year review. The business planning process will subsequently be refined in the light of current economic circumstances and the resulting revenue projections prior to budget approval in April/May 2016.

With the compilation of the 2016/2017 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2015/2016 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **2.2.1. Service Level Standards**

MFMA circular No. 72 indicated that all municipalities must formulate service level standards which must form part of the 2016/17 tabled MTREF budget documentation. The services level standard will be able to monitor the level in which service delivery is achieved by each department.

Service level standard details the expectation which each department need to achieve in order to successfully attain service delivery to the community.

Bela-Bela Local Municipal will continue to implement service level standard in the 2016/2017 budget year. Bellow table summarise only key services delivery standard (For a full services delivery standard can be provided on a separate document)

**Table 26: Service level standards**

Standard	Key Service level
<b>Solid Waste Removal</b>	Street Cleaning Frequency in CBD (Once a week)
	How soon are public areas cleaned after events (24hours)
	Clearing of illegal dumping (24hours)
<b>Water Service</b>	Water Quality rating (Blue Drop 71%)
	Is free water available to all? (All/only to the indigent consumers)
	Frequency of meter reading? (Once per month,)
<b>Electricity Service</b>	Duration before availability of electricity is restored in cases of breakages (immediately/one day/two days/longer)
	How long does it take to replace faulty meters? (seven days)
	How effective is the action plan in curbing line losses? (Good/Bad)
<b>Sewerage Service</b>	How long does it take to restore sewerage breakages on average
	Severe overflow? (hours)
	Sewer blocked pipes: Large pipes? (Hours)
	Sewer blocked pipes: Small pipes? (Hours)
	Spillage clean-up? (hours)
	Replacement of manhole covers? (Hours)
<b>Road Infrastructure Services</b>	Time taken to repair a single pothole on a major road? (Hours)
<b>Property valuations</b>	How long does it take on average from completion to the first account being issued? (one month/three months or longer)
<b>Financial Management</b>	Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease)
	How long does it take to finalise a tender after closing date (5 working days)
<b>Administration</b>	Reaction time on enquiries and requests?
	Time to respond to a verbal customer enquiry or request? (immediately / one working days)
	Time to respond to a written customer enquiry or request? (7 working days)
	Time to resolve a customer enquiry or request? (2 working days)
	What percentage of calls are not answered? (5%)
<b>Community safety and licensing services</b>	How long does it take to register a vehicle? (minutes)
<b>Economic development</b>	How many economic development projects does the municipality drive?
<b>Other Service delivery and communication</b>	Does the municipality have training or information sessions to inform the community? (Yes)

## 2.3 Community Consultation

The draft 2016/2017 MTREF as tabled before Council on 31 March 2016 for community consultation has been published on the municipality's website, and hard copies will be made available at municipal offices and municipal library. Electronic and hard copies will be sent to National Treasury and the Limpopo Provincial Treasury.

The Municipality held public participation sessions with the communities in nine (9) wards. A budget summary document, is issued and discussed at these sessions. Comments were also received from the local communities. The applicable dates and venues were published in all the local newspapers. The respond from the Municipality to all input are included on the budget for council to consider.

## **2.4 Overview of alignment of annual budget with IDP**

Bellow table provide overview alignment of the 2015/16 budget to IDP.

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by the municipality correlate with National Development Plan as well as National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent manner to improve the quality of life for all the people living in that area. Applied to the Bela-Bela Local municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (PGDS);
- National and Provincial spatial development perspectives;



- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the final IDP's five strategic objectives for the 2016/2017 MTREF and further planning refinements that have directly inform this plan.

**Table 27: IDP Strategic Objectives**

PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
<b>PREPARATION PHASE</b>	Alignment with WDM framework IDP, Budget and PMS process plan	WDM	<ul style="list-style-type: none"> <li>Approved 2016/2017 IDP, Budget and PMS process plan</li> </ul>	July 2015
	MECs Assessment of 2014- 2015 IDP	IDP Manager /Municipal Manager		July 2014 – August 2015
	Council Sitting	Mayor/ Municipal Manager		July 2015
	Develop Draft 2016/2017 IDP, Budget and PMS process plan	IDP Manager		August 2015
	Tabling of 2016/2017 IDP, Budget and PMS process Plan to Planning Sub-committee	IDP Manager		August 2015
	1 <sup>st</sup> Waterberg District Forum Representative Forum	IDP Manager		August 2015
	Tabling Draft 2016/2017 IDP, Budget and PMS process plan for EC /Council approval	Mayor & Municipal Manager		August 2015
	Publication of IDP2016/2017 IDP, Budget and PMS Process Plan	IDP Manager		August 2015
	Submission of 2014/ 2015 Annual Performance Report to the Auditor – General and MEC	IDP Manager /Municipal Manager		August 2015
	First IDP Steering Committee Meeting	IDP Manager /Municipal Manager		September 2015
	First IDP Representative Forum	Municipal Manager/ Mayor		September 2015

ANALYSIS PHASE	ACTIVITY	RESPONSIBLE	OUTPUT	TIME FRAME
	Identification of Gaps, Stakeholder Registration, and Information Gathering.	IDP Manager	<ul style="list-style-type: none"> <li>• Priority issues/problems</li> <li>• Understanding of causes of priority issues/problems</li> </ul>	September 2015
	Community Based Planning (CBP) Ward Consultative Meetings	IDP Manager		September 2015
	1 <sup>st</sup> Provincial IDP Consultative Forum	COGHSTA, OTP and WDM		September 2015
	Community Consultation Forums on Tariffs, Indigent Credit, Credit Control, and Free Basic Electricity Revisit Community Needs, Consult, and Assess Community Based Planning (CBP) Wards Consultative Meetings	Budget & Treasury and IDP Manager		October 2015
	Submission of Draft Annual Report to the Mayor	IDP Manager / Municipal Manage		October 2015
	Council Sitting	Mayor & Municipal Manage		October 2015
	Second 2016/17 IDP Steering Committee Meeting	IDP Manager/ Municipal Manage		November 2015
	Second 2016/17 IDP Representatives Forum	Mayor/ Municipal Manager		November 2015
	Draft 2016/17 IDP Analysis Phase Completed	IDP Manager		November 2015
	2 <sup>nd</sup> WDM Representative Forum	WDM		November 2015

	2 <sup>nd</sup> Provincial IDP Consultative Forum	COGHSTA, OTP and WDM		November 2015
	Proposed IDP/Budget and Tariff Policies	Dept Financial Services & IDP Manager		Week 1 December 2015
	Consultative Forum on Vision, Mission, Objectives, and Localized Strategic Guidelines	IDP Manager		Week 2 December 2015
<b>STRATEGIES PHASE</b>			<ul style="list-style-type: none"> <li>• Vision(For Municipality)</li> <li>• Objectives(For each priority issue)</li> <li>• Strategic options and choice of strategy</li> <li>• Tentative financial framework for projects</li> <li>• Identification of projects</li> </ul>	
	WDM Strategic Planning Session	WDM		January 2016
	Review Financial Strategies, Adjustment Budget & SDBIP and Review of Organizational Structure	All Departments/Municipal Manager		January 2016
	Draft 2015/2016 Mid – Year Report and Draft 2014/ 2015 Annual Report	All Departments/Municipal Manager		January 2016
	3 <sup>rd</sup> Provincial IDP Consultative Form	COGHSTA, OTP and WDM		February 2016
	Strategic Planning Session	IDP Manager /Municipal Manager		February 2016
	Third IDP Steering Committee Meeting	IDP Manager/ Municipal Manager		March 2016
	Third IDP Representative Forum	Mayor & Municipal Manager		March 2016
<b>PROJECTS PHASE</b>	Review and Rationalization of Projects, Redesigning and Upgrading Project Designs	IDP Manager	<ul style="list-style-type: none"> <li>• Project output, targets, and location</li> </ul>	Week 2 March 2016
	3 <sup>RD</sup> WDM IDP Representatives Forum	WDM		March 2016

	Submission of 2014/ 2015 Annual Report to council for Approval	IDP Manager & Municipal Manager	<ul style="list-style-type: none"> <li>• Project related activities and time schedule</li> <li>• Cost and budget estimates</li> <li>• Performance Indicators</li> </ul>	March 2016
	Tabling of Draft IDP/Budget and SDBIP for Council Approval	Mayor & Municipal Manager		Week 3 March 2015
	Submission of Draft IDP/Budget to National Treasury and Dept. Local Government & Housing	Municipal Manager		March 2016
<b>INTEGRATION PHASE</b>	Alignment with Waterberg District Municipality, Provincial, and National Programs	COGHSTA, OTP and WDM	<ul style="list-style-type: none"> <li>• 5 Year Financial Plan</li> <li>• 5 Year Capital Investment Plan</li> <li>• Institutional Plan</li> <li>• Reference to Sector Plans</li> <li>• Integrated Sectoral Plans</li> </ul>	April 2016
	2016/ 2017 IDP - Budget Mayoral Road show	All Departments/Municipal Manager		April 2016
	4 <sup>th</sup> IDP Steering Committee Meeting	IDP Manager/Municipal Manager		May 2016
	4 <sup>th</sup> IDP Representative forum	Mayor & Municipal Manager		May 2016
	4 <sup>TH</sup> WDM Representative Forum	WDM		May 2016
	Screening of Draft IDP Projects Integration of Sector Plans and Institutional Programs	IDP Manager & All Departments		May 2016

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

## **2.5 Free Basic Services: basic social services package for households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality. Indigent households receive free basic water of 6kl and 70 kwh of electricity per month. For the 2016/17 financial year 5,000 registered indigents have been provided for in the budget. The threshold for qualification as an indigent is the pension of two people in a household, i.e. R3, 000 per month. Indigent households have to approach the municipality and provide the required documentation. The total cost of free basic services amounts to R16.1 million for the 2016/17 financial year.

## **2.6 Providing clean water and managing waste water**

The Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and Magalies Water is the water services provider.

Approximately 50% of the Municipality's bulk water needs are provided by Magalies Water in the form of purified water. The remaining 50% is generated from the Municipality's own water sources, such as boreholes and the dams.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

Bela-Bela Local Municipality has in past achieved an acceptable score of 71.07% during Blue Drop Certification Programme for its only Water Treatment Plant in the 2013/14 financial year. The Municipality currently wait for result of the recent Blue or Green Drop.

The following is briefly the main challenges facing the Municipality in this regard:

- Shortage of skilled personnel makes proper operations and maintenance difficult; and
- Aging infrastructure.

## **2.7 Measurable performance objectives and indicators**

The table below shows the key measurable financial indicators of the Bela-Bela Local Municipality. With time permitting and availability of information, these indicators will be benchmarked against the indicators of other municipalities of similar type, size and functions.

**Table 28 MBRR Table SA8 - Performance indicators and benchmarks**

Description of financial indicator	Basis of calculation	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b><u>Borrowing Management</u></b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0,6%	5,6%	0,8%	1,5%	0,6%	0,6%	0,1%	0,7%	0,7%	0,8%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0,9%	7,0%	1,3%	2,0%	0,9%	0,8%	0,1%	0,9%	0,9%	0,9%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	0,0%	0,0%	22,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b><u>Safety of Capital</u></b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b><u>Liquidity</u></b>											
Current Ratio	Current assets/current liabilities	0,4	1,7	0,6	0,8	0,8	0,9	0,9	1,4	2,1	2,7
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0,4	1,7	(0,3)	(1,3)	(1,3)	(0,2)	(0,2)	(0,4)	0,6	1,3
Liquidity Ratio	Monetary Assets/Current Liabilities	0,1	0,8	0,1	0,4	0,4	0,7	0,7	0,4	1,1	1,7
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		105,9%	98,7%	76,1%	87,5%	100,0%	93,4%	98,1%	95,0%	90,0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		105,3%	98,0%	74,5%	87,5%	100,0%	93,4%	98,1%	95,0%	90,0%	90,0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	7,0%	12,1%	15,7%	4,2%	4,3%	4,1%	5,7%	11,6%	11,4%	11,2%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	0,0%	17,1%	53,3%	60,0%	60,0%	60,0%	60,0%	85,0%	90,0%	90,0%
<b><u>Creditors Management</u></b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))	90,0%	100,0%	95,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Creditors to Cash and Investments		1061,6%	43,1%	664,1%	-405,3%	-77,0%	-104,8%	-104,8%	425,0%	77,2%	46,1%
<b><u>Other Indicators</u></b>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)	17815367	11036148	183460,03	17811654	17811654	17811654	17811654	17277304	16758985	16256215
	Total Cost of Losses (Rand '000)	10 991	6 694	22 835	22 170	22 170	22 170	22 170	21 505	20 860	20 234
	% Volume (units purchased and generated less units sold)/units purchased and generated	0	0	0	0	0	0	0	0	0	0
Water Distribution Losses (2)	Total Volume Losses (kℓ)	792	492	741	662	662	662	662	592	529	473
	Total Cost of Losses (Rand '000)	1306749	1184277	3808626,92	3404664,04	3404664,04	3404664,04	3404664,04	3042880	2720334,72	2430839,64
	% Volume (units purchased and generated less units sold)/units purchased and generated	0	0	0	0	0	0	0	0	0	0
Employee costs	Employee ee costs/(Total Revenue - capital revenue)	31,9%	28,0%	33,1%	31,6%	32,1%	31,1%	18,1%	27,7%	27,3%	27,1%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	33,8%	30,1%	36,0%	33,5%	33,9%	32,9%		29,5%	29,1%	28,8%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	2,7%	3,9%	4,9%	6,5%	6,1%	6,4%		7,9%	8,6%	9,0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	15,9%	20,5%	13,6%	9,4%	9,8%	9,2%	5,4%	8,1%	8,0%	7,9%
<b><u>IDP regulation financial viability indicators</u></b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	10,8	51,2	12,6	40,3	40,3	40,3	57,6	73,4	70,8	75,2
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	9,4%	19,5%	24,5%	6,7%	6,6%	6,5%	7,9%	16,3%	16,2%	16,0%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0,2	2,1	0,7	(0,3)	(1,4)	(1,1)	(1,9)	0,3	1,5	2,6

## 2.8 Overview of budget related-policies

In Table 29 below, the relevant budget related policies are set out.

Table 27 : Policies				
No	Policy Description	Date Reviewed/ Developed	Status	Comment
1	Credit Control and Debt Collection Policy	Feb 2016	In use	With effect from 01/07/2016
2	Property Rates Policy	Feb 2016	In use	With effect from 01/07/2016
3	Assets Management Policy	Feb 2016	In use	With effect from 01/07/2016
4	Indigent Policy	Feb 2016	In use	With effect from 01/07/2016
5	Borrowing framework policy	2013/14	In use	With effect from 01/07/2016
6	Budget Implementation and Monitoring Policy	Feb 2016	In use	With effect from 01/07/2016
7	Cash Management and Investment Policy	2014/15	In use	With effect from 01/07/2016
8	Funding Reserves Policy	2013/14	In use	With effect from 01/07/2016
9	Prioritisation Model for Capital Assets Investment	2014/15	In use	With effect from 01/07/2016
10	Policy on Infrastructure Investment and Capital Projects	2013/14	In use	With effect from 01/07/2016
11	Policy on Long Term Financial Planning	2013/14	In use	With effect from 01/07/2016
12	Policy on Provision for doubtful debts and writing off of irrecoverable debts	Feb 2016	In use	With effect from 01/07/2016
13	Principles and Policy on Tariffs	Feb 2016	In use	With effect from 01/07/2016
14	Petty Cash Policy	2014/15	In use	With effect from 01/07/2016
15	Supply Chain Management Policy	2014/15	In use	With effect from 01/07/2016

### Amendments in Supply Chain management policy

- The main amendments to the Supply Chain Management Policy include the alignment with the Supply Chain Management regulations.
- Policy have been reviewed to be in line with the National Strategy of centralising the supplier database to the office of the chief procurement officer.

### Policy on Provision for doubtful debts and writing off of irrecoverable debts

The main changes of on the policy includes: the use of individual debtors risk profile in assessing the possibilities of irrecoverable debts

### Tariff Policy

The main changes on the policy includes:

- o **Water** – The tariffs are split between fixed and variable components;
- o **Sanitation** – Will now be levied at fixed tariffs and volume base.
- o **Electricity** – The Inclining Block Tariff is removed and the fixed component is introduced



### Indigent's policy

The indigent household threshold is increased to the pension of two members in the household..

## **2.9 Overview of budget assumptions**

Table below provide the budget assumptions issues which depict the next two years assumed percentage increases.

Council's wage bill, bulk purchases and capital charges constitutes 70% of our operating budget expenditure. Council have very little control over them since the cost of living salary increases are determined at a higher authority (Bargaining Council level); bulk electricity purchases by NERSA; bulk water purchase by Magalies; and, interest on loans to be set by borrowing authorities (Financial Institutions).

The cost of living and notch increases on the wage bill amounted to 6.00% and 5% over the last two financial years and is estimated to increase with 6.8% (rounded to 7%) from 2015/2016 adjusted budget.

The MFMA Budget Circular 78, dated 07th Dec 2015, advises of the following CPI increases:

**Table 30: CPI Inflation**

Fiscal year	2016/17	2017/18	2018/19
CPI Inflation	6.0%	5.8%	5.8%

This means that any increases above the 6% (inflation target) should be motivated in the budget, taking into account cost reflective tariffs, affordability and indigents.

### **Operating cost increases**

- Electricity - NERSA recently approved 9.4% for Eskom. This increase is effective 1 April 2016 while municipality's increase will only be from 1 July 2016, a 3 months' lag which will impact negatively on the cash flows of many municipalities.. The municipalities' increases are 7.64%;
- Water – Magalies Water advised of a tariff increase of 12%;
- Employee costs – Average CPI (Feb 2015-Jan 2016) +1%. The municipality has made a provision of 7%. This will likely reduce once the organogram is completed; and
- Councillor remuneration – Provision of 7% was made.

The estimated operating revenue stream increases are projected to fund the operating budget expenditure. It must be emphasised that to balance the operating budget, senior management had to cut material amount worth of operating expenditure requests that exceeded the affordable and sustainable revenue streams.

The revenue streams increases/decreases for 2016/2017 compared to adjusted budget are as follows:

**Table 31: 2016/17 revenue increases vs 2015/16 adjusted budget**

Description R thousands	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Financial Performance</b>										
Property rates	42 378	53 069	54 229	59 959	59 151	59 959	37 830	94 648	100 301	106 274
Service charges	112 690	117 170	115 338	150 578	153 215	156 715	168 447	172 645	182 339	192 899
Investment revenue	325	782	2 268	4 000	500	4 000	353	300	330	363
Transfers recognised - operational	34 903	64 022	59 666	67 877	67 877	67 877	66 002	71 118	77 760	85 092
Other own revenue	18 543	40 456	33 704	58 534	50 227	58 534	12 074	39 323	42 695	46 352
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>208 839</b>	<b>275 499</b>	<b>265 206</b>	<b>340 949</b>	<b>330 970</b>	<b>347 085</b>	<b>284 707</b>	<b>378 034</b>	<b>403 426</b>	<b>430 980</b>

It must be noted that property rates revenue due to the general valuation will undergo restructured tariffs. Electricity revenue tariffs will also undergo some restructuring especially with regard to the remodelling exercise.

Council is sensitive to the affordability and sustainability of the tariffs to be imposed. We carefully monitor the payment and collection rates and are thankful that the customer base of Bela-Bela Local Municipality pays more than 85% of their billed accounts. Through the financial support and incentives envisaged through our new budget related policies developed we are hopeful that the payment rate will increase to 95% over the next 12 months.

## 2.9.1 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2016/17 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Bela-Bela's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee and Councillor related costs comprise 30% of total operating expenditure in the 2016/2017 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

### 2.9.2. Employee cost

Table 32 below depicts the break-down of employee related costs.

**Table 32 MBRR Table SA22 - Summary of Employees and Councillors remuneration**

Total salary cost for all municipality employee excluding councillor is budgeted at R104.7 million from R105.5 million of the 2015/2016 adjusted budget. Council salaries for 2016/17 budget year is increased by 7% from the previous financial year.

Section 17(3)(k) of the MFMA determines that as part of the budget resolutions the proposed cost to the municipality for the budget year of the salary, allowances and benefits of each political office bearer, Municipal Manager, Chief Financial Officer and senior manager reporting to the Municipal Manager must be disclosed.

**Table 33: Remuneration of political and administrative leadership**

NO.	Position	Amount
1	Mayor	718 496
2	Speaker	574 797
3	Chief Whip	538 872
4	EC Member	538 872
5	S79 Chairperson	276 621
6	Other ordinary councilor	215 549
7	Municipal Manager	1 484 159
8	Chief Financial Officer	1 143 124
9	Other S56 Managers	1 041 328

### 2.9.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality did not budget to raise any long term loans due to the squeezed cash position and low payment levels.

### 2.9.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (80%) of annual billings. Cash flow is assumed to be 85% of billings excluding collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### **2.9.5 Growth or decline in tax base of the municipality**

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

### **2.9.6 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities, as articulated by the President of the country in his State of the Nation Address (SoNA) early last year, form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives. However, it is also important to take cognisance of the fact that some of these priorities are not directly linked to the powers and functions assigned to the municipality. Nevertheless efforts will be made to contribute to these priorities.

### **2.9.7. Cash Backed Reserves/Accumulated Surplus Reconciliation**

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (application > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 34 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	2 548	30 653	12 656	(6 771)	(35 618)	(26 197)	(26 197)	6 588	38 848	71 627
Other current investments > 90 days		(0)	(0)	0	23 269	52 116	78 994	78 994	10 000	15 000	17 000
Non current assets - Investments	1	-	-	-	10 000	10 000	-	-	10 000	15 000	20 000
<b>Cash and investments available:</b>		<b>2 548</b>	<b>30 653</b>	<b>12 656</b>	<b>26 498</b>	<b>26 498</b>	<b>52 798</b>	<b>52 798</b>	<b>26 588</b>	<b>68 848</b>	<b>108 627</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		0	293	0	-	-	36 300	36 300	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	12 296	(13 374)	52 311	15 172	13 571	14 724	8 998	(13 408)	(11 468)	(10 535)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>12 296</b>	<b>(13 081)</b>	<b>52 311</b>	<b>15 172</b>	<b>13 571</b>	<b>51 024</b>	<b>45 298</b>	<b>(13 408)</b>	<b>(11 468)</b>	<b>(10 535)</b>
<b>Surplus(shortfall)</b>		<b>(9 748)</b>	<b>43 734</b>	<b>(39 654)</b>	<b>11 326</b>	<b>12 927</b>	<b>1 774</b>	<b>7 500</b>	<b>39 996</b>	<b>80 316</b>	<b>119 162</b>

The following breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is, obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year, unless the funds are committed to identifiable programmes and/ or projects;
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites. The municipality has indicated its intention to build up cash-backed reserve in terms of its reserve policy; and
- It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation. From a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

## 2.9.8 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 35 MBRR Table SA10 – Funding compliance measurement**

Description	MFMA section	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	2 548	30 653	12 656	(6 771)	(35 618)	(26 197)	(26 197)	6 588	38 848	71 627
Cash + investments at the yr end less applications - R'000	18(1)b	2	(9 748)	43 734	(39 654)	11 326	12 927	1 774	7 500	39 996	80 316	119 162
Cash year end/monthly employee/supplier payments	18(1)b	3	0,2	2,1	0,7	(0,3)	(1,4)	(1,1)	(1,9)	0,3	1,5	2,6
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(29 215)	28 022	(40 914)	7 694	12 995	52 848	100 269	82 402	86 789	107 426
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	3,8%	(6,4%)	18,2%	(5,1%)	(4,0%)	(10,8%)	19,9%	(0,3%)	(0,2%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	101,3%	79,5%	76,0%	86,3%	97,6%	89,5%	112,8%	94,5%	90,1%	90,1%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	22,4%	0,9%	(11,2%)	13,2%	13,0%	12,8%	2,7%	5,6%	5,6%	5,5%
Capital payments % of capital expenditure	18(1)c;19	8	35,7%	125,0%	93,6%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0,0%	0,0%	22,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								100,0%	100,0%	100,0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	129,6%	24,8%	(65,9%)	0,0%	0,0%	15,1%	208,3%	5,0%	5,0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1,1%	2,1%	2,4%	2,9%	2,7%	2,9%	4,7%	5,2%	5,7%	6,0%
Asset renewal % of capital budget	20(1)(vi)	14	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	22,4%	0,0%	0,0%

### Cash/cash equivalent position

The municipality's forecast position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements. If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short-term debt at the end of the financial year.

### Cash plus investment less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is on Table 33 above. The reconciliation is intended to be relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

### Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

#### **Debt impairment expense as a percentage of billable revenue**

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues.

#### **Capital payments percentage of capital expenditure**

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 0 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

#### **Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)**

The purpose of this measurement is to determine the proportion of a municipality's 'own funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. For 2016/2017 financial year the municipality has not budgeted for any borrowing to finance capital expenditure.

#### **Transfers/grants revenue as a percentage of Government transfers/grants Available**

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100% could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The municipality has budgeted to spend for all transfers within the financial year.

#### **Consumer debtors change (Current and Non-current)**

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a deficit trend in line with the municipality's policy of settling debtor's accounts within 30 days.

#### **Repairs and maintenance expenditure level**

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. The municipality has budgeted to spend 9% of the operating budget on repairs and maintenance for the 2016/2017 financial year.

### **Asset renewal/rehabilitation expenditure level**

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

In summary, the funding compliance measurement above shows that serious attempts were made to make the budget funded. This is in line with the recommendations made by the National and Provincial Treasuries.

### **2.9.9. Allocations and grant made by the municipality**

The municipality has not budgeted to make any allocations or grants to individuals or external parties.

### **2.11 Expenditure on allocation and grant programme**

The table below shows the projected expenditure against the grants receipts.

### **Table 36 MBRR Table SA19 – Expenditure on transfer and grant programmes**



Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
<b>EXPENDITURE:</b>	1									
<b>Operating expenditure of Transfers and Grants</b>										
<b>National Government:</b>		41 621	32 115	61 434	67 041	67 041	67 041	71 118	77 760	85 092
Local Government Equitable Share		39 329	30 818	59 949	63 428	63 428	63 428	68 411	76 060	83 392
Finance Management		1 228	15	155	1 600	1 600	1 600	1 625	1 700	1 700
Municipal Systems Improvement		787	800	890	930	930	930	-		
EPWP Incentive		277	482	440	1 083	1 083	1 083	1 082	-	-
Other transfers/grants [insert description]										
<b>Provincial Government:</b>		-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]										
<b>District Municipality:</b>		482	440	529	625	625	625	-	-	-
Received from District (Fire)		482	440	529	625	625	625			
<b>Other grant providers:</b>		173	193	148	211	211	211	-	-	-
SETA GRANT		173	193	148	211	211	211			
<b>Total operating expenditure of Transfers and Grants</b>		42 276	32 748	62 111	67 877	67 877	67 877	71 118	77 760	85 092
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		10 324	16 413	15 836	34 571	73 589	73 589	80 571	80 130	100 316
MIG		10 324	16 413	15 836	22 571	61 589	61 589	22 571	24 130	25 316
INEP					2 000	2 000	2 000	30 000	26 000	55 000
MWIG					10 000	10 000	10 000	28 000	30 000	20 000
Other capital transfers/grants [insert desc]										
<b>Provincial Government:</b>		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
Received from District (Fire)										
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
SETA GRANT										
<b>Total capital expenditure of Transfers and Grants</b>		10 324	16 413	15 836	34 571	73 589	73 589	80 571	80 130	100 316
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		52 600	49 161	77 947	102 448	141 466	141 466	151 689	157 890	185 408

## **2.12 Annual budget and SDBIP – Internal departments**

The municipality provides major infrastructure projects internally, though some technical work is contracted to professional service providers such as designs. The key service delivery departments are Technical Services and Social and Community Services. The Planning and IDP Department also does some work related to job creation and Local Economic Development, including Town Planning and establishment.

Each of the above departments is headed by a Senior Manager directly accountable to the Municipal Manager. About 50.5% of the capital budget is allocated to Technical Services while around 43% of the capital budget is allocated to Social and Community Services department.

The Senior Managers submit their departmental Service Delivery and Budget Implementation Plans to the Municipal Manager and then compiles the municipal SDBIP which is submitted to the Mayor and tabled with the budget. These SDBIP form the basis of performance agreements.

## **2.13 Contracts having future budgetary implications**

The municipality does have contracts that go beyond the three years.

## **2.14 Monthly target for revenue, expenditure and cash flow**

The following tables depict the monthly target for revenue, expenditure and cash flow.

**Table 37 MBRR Table SA25 – Budgeted monthly revenue and expenditure**

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue By Source</b>																
Property rates		4 954	5 945	7 133	8 560	8 731	8 740	9 177	9 195	9 214	9 232	9 260	4 506	94 648	100 301	106 274
Property rates - penalties & collection charges		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue		9 122	9 667	8 135	8 396	7 161	9 437	9 397	8 973	8 397	8 345	9 345	10 096	106 469	112 432	118 953
Service charges - water revenue		906	1 580	2 469	2 118	2 304	4 504	4 070	4 406	2 306	2 104	3 506	5 309	35 584	37 576	39 756
Service charges - sanitation revenue		697	802	922	1 061	1 020	903	1 013	955	933	953	1 021	848	11 127	11 743	12 390
Service charges - refuse revenue		528	607	698	803	924	924	1 221	803	803	803	2 136	1 014	11 265	11 896	12 586
Service charges - other		99	100	79	88	99	108	138	102	138	101	98	7 050	8 200	8 692	9 214
Rental of facilities and equipment		88	85	85	89	93	99	93	99	89	91	89	550	1 550	1 860	2 070
Interest earned - external investments		20	21	23	24	25	27	29	30	32	30	32	7	300	330	363
Interest earned - outstanding debtors		258	273	290	307	326	345	366	388	411	241	102	192	3 500	3 850	4 235
Dividends received		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines		1 025	1 027	1 029	1 031	1 033	1 035	1 037	1 039	1 042	1 044	1 046	1 612	13 000	13 650	14 333
Licences and permits		1 002	1 092	1 190	1 298	1 414	1 542	1 680	1 832	1 022	1 114	982	831	15 000	16 500	18 150
Agency services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers recognised - operational		30 547	1 297	–	–	20 415	–	–	403	15 215	–	–	3 241	71 118	77 760	85 092
Other revenue		354	363	374	384	395	406	417	429	441	453	466	1 791	6 273	6 835	7 565
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		49 600	22 860	22 427	24 158	43 940	28 070	28 639	28 654	40 043	24 512	28 083	37 046	378 034	403 426	430 980
<b>Expenditure By Type</b>																
Employee related costs		8 758	8 802	8 846	8 890	8 934	8 979	9 024	9 069	9 114	9 160	9 206	5 977	104 758	110 052	116 655
Remuneration of councillors		382	405	429	455	482	511	542	574	609	645	684	989	6 708	7 177	7 680
Debt impairment		1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	1 250	15 000	15 750	16 538
Depreciation & asset impairment		2 333	2 083	2 083	2 083	2 083	2 083	2 083	2 083	2 083	2 083	2 083	4 833	28 000	29 400	30 870
Finance charges		220	220	220	220	220	220	220	220	220	220	220	220	2 646	2 910	3 201
Bulk purchases		8 742	8 742	8 742	8 742	8 742	8 742	8 742	8 742	8 742	8 742	8 742	8 742	104 906	115 397	122 653
Other materials		2 484	2 643	2 643	2 643	2 643	2 643	2 643	2 643	2 643	2 643	2 643	901	29 812	34 574	38 659
Contracted services		1 769	1 773	1 777	1 782	1 786	1 791	1 795	1 800	1 804	1 809	1 813	1 524	21 222	17 440	19 539
Transfers and grants		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other expenditure		5 200	5 200	5 200	5 200	5 200	5 200	5 200	5 200	5 200	5 200	5 200	5 955	63 152	64 068	68 076
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Expenditure		31 138	31 118	31 191	31 265	31 341	31 419	31 499	31 581	31 666	31 752	31 841	30 391	376 203	396 767	423 870
Surplus/(Deficit)		18 462	(8 257)	(8 764)	(7 106)	12 599	(3 349)	(2 860)	(2 927)	8 377	(7 240)	(3 758)	6 655	1 831	6 659	7 110
Transfers recognised - capital		40 000	–	–	–	25 000	–	–	–	15 571	–	–	–	80 571	80 130	100 316
Contributions recognised - capital		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Contributed assets		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		58 462	(8 257)	(8 764)	(7 106)	37 599	(3 349)	(2 860)	(2 927)	23 948	(7 240)	(3 758)	6 655	82 402	86 789	107 426
Taxation		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Attributable to minorities		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Share of surplus/ (deficit) of associate		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit)	1	58 462	(8 257)	(8 764)	(7 106)	37 599	(3 349)	(2 860)	(2 927)	23 948	(7 240)	(3 758)	6 655	82 402	86 789	107 426

**Table 38 MBRR Table SA30 – Budgeted monthly cash flow**

MONTHLY CASH FLOWS	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>															
<b>Cash Receipts By Source</b>															
Property rates	4 954	4 945	4 133	5 560	6 731	6 740	7 177	8 195	8 214	8 232	7 260	17 773	89 915	90 271	95 647
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	9 122	9 667	8 135	7 396	7 161	7 437	7 397	6 973	6 397	6 345	7 345	17 773	101 146	101 189	107 057
Service charges - water revenue	906	1 580	2 469	2 118	2 304	3 504	3 070	4 406	2 306	2 104	2 506	6 530	33 804	33 819	35 780
Service charges - sanitation revenue	697	802	922	697	697	697	697	697	697	697	697	2 571	10 570	10 569	11 151
Service charges - refuse revenue	528	607	698	803	924	924	924	924	924	924	924	1 600	10 702	10 707	11 328
Service charges - other	99	80	79	88	99	81	88	80	88	81	78	6 849	7 790	7 823	8 292
Rental of facilities and equipment	99	104	109	115	120	126	133	139	146	154	161	144	1 550	1 860	2 070
Interest earned - external investments	20	21	23	24	25	27	29	30	32	30	32	7	300	330	363
Interest earned - outstanding debtors	258	273	290	307	326	345	366	388	411	241	102	192	3 500	3 850	4 235
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	597	600	630	661	695	729	766	804	844	886	931	4 856	13 000	13 650	14 333
Licences and permits	1 002	1 092	1 190	1 298	1 414	1 542	1 680	1 832	1 022	1 114	982	831	15 000	16 500	18 150
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer receipts - operational	30 547	1 297	-	-	20 415	-	-	403	15 215	-	-	3 241	71 118	77 760	85 092
Other revenue	454	463	574	484	595	506	517	529	541	553	466	591	6 273	6 835	7 565
<b>Cash Receipts by Source</b>	<b>49 283</b>	<b>21 532</b>	<b>19 252</b>	<b>19 552</b>	<b>41 507</b>	<b>22 659</b>	<b>22 844</b>	<b>25 400</b>	<b>36 838</b>	<b>21 363</b>	<b>21 484</b>	<b>62 957</b>	<b>364 670</b>	<b>375 162</b>	<b>401 063</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	43 376	-	-	-	20 452	-	-	-	15 614			-	79 442	78 924	99 050
Contributions recognised - capital & Contributed assets												-	-	-	-
Proceeds on disposal of PPE												50	50	55	61
Short term loans												-	-	-	-
Borrowing long term/refinancing												-	-	-	-
Increase (decrease) in consumer deposits												2 000	2 000	5 000	7 000
Decrease (Increase) in non-current debtors												-	-	-	-
Decrease (increase) other non-current receivables												-	-	-	-
Decrease (increase) in non-current investments												10 000	10 000	10 000	10 000
<b>Total Cash Receipts by Source</b>	<b>92 659</b>	<b>21 532</b>	<b>19 252</b>	<b>19 552</b>	<b>61 959</b>	<b>22 659</b>	<b>22 844</b>	<b>25 400</b>	<b>52 451</b>	<b>21 363</b>	<b>21 484</b>	<b>75 007</b>	<b>456 162</b>	<b>469 140</b>	<b>517 173</b>
<b>Cash Payments by Type</b>															
Employee related costs	8 758	8 802	8 846	8 890	8 934	8 979	9 024	9 069	9 114	9 160	9 206	5 977	104 758	110 052	116 655
Remuneration of councillors	382	405	429	455	482	511	542	574	609	645	684	989	6 708	7 177	7 680
Finance charges	253	258	263	268	273	279	202	100	102	104	106	439	2 646	2 910	3 201
Bulk purchases - Electricity	8 112	8 115	8 139	8 163	8 188	8 213	8 237	8 262	6 789	6 979	7 188	10 962	97 348	107 082	113 507
Bulk purchases - Water & Sewer	-	-	-	-	-	-	-	-	-	-	-	7 558	7 558	8 314	9 146
Other materials	2 452	2 453	2 455	2 456	2 457	2 458	2 460	2 461	2 462	2 463	2 465	2 770	29 812	34 574	38 659
Contracted services	1 250	1 643	1 643	1 643	1 643	1 643	1 643	1 643	1 643	2 643	2 643	1 546	21 222	17 440	19 539
Transfers and grants - other municipalities												-	-	-	-
Transfers and grants - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	-	-	-	-	-	-	-	-	-	-	-	63 152	63 152	64 068	68 076
<b>Cash Payments by Type</b>	<b>21 207</b>	<b>21 675</b>	<b>21 774</b>	<b>21 875</b>	<b>21 978</b>	<b>22 082</b>	<b>22 107</b>	<b>22 109</b>	<b>20 719</b>	<b>21 994</b>	<b>22 291</b>	<b>93 393</b>	<b>333 203</b>	<b>351 617</b>	<b>376 462</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	15 480	12 453	8 412	4 512	5 541	16 853	4 453	2 441	2 541	3 587	1 247	3 231	80 752	85 264	107 932
Repayment of borrowing												-	-	-	-
Other Cash Flow s/Payments												-	-	-	-
<b>Total Cash Payments by Type</b>	<b>36 687</b>	<b>34 128</b>	<b>30 186</b>	<b>26 387</b>	<b>27 519</b>	<b>38 935</b>	<b>26 560</b>	<b>24 550</b>	<b>23 260</b>	<b>25 581</b>	<b>23 538</b>	<b>96 623</b>	<b>413 955</b>	<b>436 881</b>	<b>484 394</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>55 972</b>	<b>(12 596)</b>	<b>(10 934)</b>	<b>(6 835)</b>	<b>34 440</b>	<b>(16 276)</b>	<b>(3 716)</b>	<b>850</b>	<b>29 191</b>	<b>(4 219)</b>	<b>(2 055)</b>	<b>(21 616)</b>	<b>42 207</b>	<b>32 260</b>	<b>32 779</b>

## 2.15 Legislation compliance status

Compliance with the MFMA implementation requirements has been substantially adhered to through the following activities:

- **In-year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved. However, changes in the new financial system are expected to improve the quality of the reports.

- **Internship programme**

The municipality is participating in the Municipal Financial Management Internship programme and is in the process to hire 5 new intern who will start on the 01<sup>st</sup> April 2016. The contract of the intern expired during November 2014 and all interns have been absorbed in December 2014.

- **Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

- **Audit Committee**

A shared Audit Committee with the Waterberg District municipality has been established and is fully functional.

- **Service Delivery and Implementation Plan**

The detail SDBIP document is at a final stage and will be finalised after approval of the 2016/17 MTREF directly aligned and informed by the 2016/17 MTREF.

- **Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

- **MFMA Training**

The relevant managers are attending the MFMA accredited training..

- **Policies**

The following policies have been reviewed in the light of this new budget;

- Credit control and debt collection;
- Rates;
- Indigent;
- Irrecoverable debt; and
- Tariffs.

## 2.16 Quality certification

I, ....., in my capacity as accounting officer of the municipality, hereby certify that:

- This budget complies with the legislative framework;
- The budget, once approved by Council, will be taken through the required consultation processes to obtain the stakeholders' inputs;
- The relevant budget return forms have been submitted to the local government database.

Print Name \_\_\_\_\_

Municipal manager of \_\_\_\_\_  
(name and demarcation code of municipality)

Signature \_\_\_\_\_

Date \_\_\_\_\_

Annexure 1: Amended budget related policies

Annexure 2: Tariff book